



## **Comissão dos Assuntos Económicos e Monetários (ECON)**

### **Reunião sobre o Semestre Europeu para a Coordenação das Políticas Económicas:**

#### **Análise Anual do Crescimento para 2013**

**17 setembro 2013 - 15h00 – 16h30**

**Bruxelas**

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Committee on Economic and Monetary Affairs  
The Chairwoman

To the Chairpersons of the concerned Committees

Dear Chairperson,

Dear colleague,

The Economic and Monetary Affairs Committee (ECON) of the European Parliament will discuss at its meeting of 17 September 2013 (15:00 - 18:30) the draft report on European Semester for economic policy coordination: implementation of 2012 priorities (Rapporteur: Ms. Elisa Ferreira).

At this occasion, the committee will debate on the assessment of the 2013 European Semester as well as on the priorities for the 2014 Annual Growth Survey, which will be the basis for next year's Semester. Furthermore, the Council of the Union will adopt in July Country-Specific Recommendations, which directly concern your country. With this in mind, and building on the success of last year's similar event, the ECON Committee would like to invite National Parliaments to attend ECON Committee meeting of 17 September 2013 at which a discussion on this topic will take place.

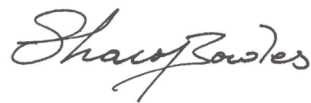
Both the European Parliament and national parliaments have complementary roles to play within the framework of the European Semester. The European Parliament needs to ensure the democratic dimension of the European Semester with regard to the European Institutions: the European Commission, the Council and the European Council. National parliaments have to ensure the democratic dimension towards their national governments. A dialogue between these two complementary actors (national parliaments - European Parliament) is useful and necessary so that they become aware of their complementarities and exchange information and ideas on the ongoing process. Both the European Parliament and national parliaments need to ensure that parliamentary control is appropriately exercised at all stages.

Due to the high importance of the subject matter, we would welcome your personal attendance to express your committee's views on the Country-Specific Recommendations that will be addressed to your country by the Council of the Union and to comment on the draft report on the European Semester. You will find attached some questions that could frame the discussion on Country-Specific Recommendations.

The draft agenda, supporting documents and online registration form will be forwarded to the Brussels representative of your Parliament Chamber in due course by the Directorate for relations with national Parliaments. For further information on the meeting itself, please contact Mr. Samuel de Lemos ([samuel.delemos@europarl.europa.eu](mailto:samuel.delemos@europarl.europa.eu)) of the ECON Committee Secretariat.

I hope that you will accept this invitation and look forward to welcoming you in the European Parliament.

With best regards,

A handwritten signature in black ink, reading "Sharon Bowles". The signature is written in a cursive, flowing style.

Sharon Bowles



**EUROPEAN PARLIAMENT**  
**COMMITTEE ON ECONOMIC AND MONETARY AFFAIRS**

**ECON Committee Exchange of Views with National Parliaments**

-  
*The 2013 cycle of the European Semester*

Tuesday, 17 September 15:00 - 16:30

**Suggested topics to frame the discussion**

- Have you established national best practises to be as closely as possible involved in the adoption of the recommendations and their implementation? How could the political ownership of these recommendations be increased at the national level?
- Following the adoption by the Council of the country-specific recommendations, do you expect your government to unveil new budgetary measures and / or new structural reforms in the new draft budget law?
- Do you consider that the country-specific recommendations provide the right economic orientations for your country and your main economic partners in the EU? Do you address potential spill-over effects in the currency union?



## **EUROPEAN PARLIAMENT COMMITTEE ON ECONOMIC AND MONETARY AFFAIRS**

### **Note for the attention of Representatives of National Parliaments**

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#### ***ECON Committee Exchange of Views with National Parliaments on the 2013 cycle of the European Semester***

For the second consecutive year, an exchange of views with National Parliaments on the 2013 cycle of the European Semester will take place in the context of an ordinary meeting of the Economic and monetary Affairs Committee (the ECON Committee) of the European Parliament, and as part of the parliamentary work on the ECON Report on the European Semester ("European Semester for economic policy coordination: implementation of 2013 priorities"). Although this meeting cannot be considered as a traditional interparliamentary meeting, it is nevertheless intended to foster a frank discussion between the National Parliaments and the European Parliament on the European Semester.

This exchange of views reflects the willingness of the ECON Committee to use innovative meeting formats in order to gather the national parliaments' views on issues relating to the European Semester before ECON concludes its work in 2013.

#### **Purpose of the meeting**

The country-specific recommendations adopted by the Council before the summer break will now have to be implemented in the draft budget laws that are currently being discussed. This is therefore a topical moment to have a debate on the outcome of the 2013 cycle of the European Semester.

Moreover, in the current juncture, with the sovereign debt crisis taking a toll on economic recovery in Europe, an adequate balance between fiscal consolidation and growth enhancing measures has to be found; since the decisions taken by each national parliament in the context of the adoption of draft budget laws can have an impact on other Member States, it is important to discuss together the outcome of the 2013 cycle of the European Semester.

An own initiative report on the 2013 cycle of the European Semester is currently being discussed at the European Parliament (rapporteur: Ms. Ferreira). The purpose of the debate is therefore also to feed in the discussion before this report is formally adopted by the European Parliament, in view of giving feedback to the European Commission on the 2013 cycle of the European Semester before it releases the latest Annual Growth Survey, setting economic and budgetary priorities for next year.

## **Practical organisational details**

### *Sitting arrangements*

Representatives of national parliaments will be seated in the center of the Committee meeting room, but behind Members of the ECON Committee, with one member of their staff next to each of them. Other accompanying staff will be seated in the rear rows.

### *Speaking-time rules*

The exchange of views will be interpreted in 22 languages.

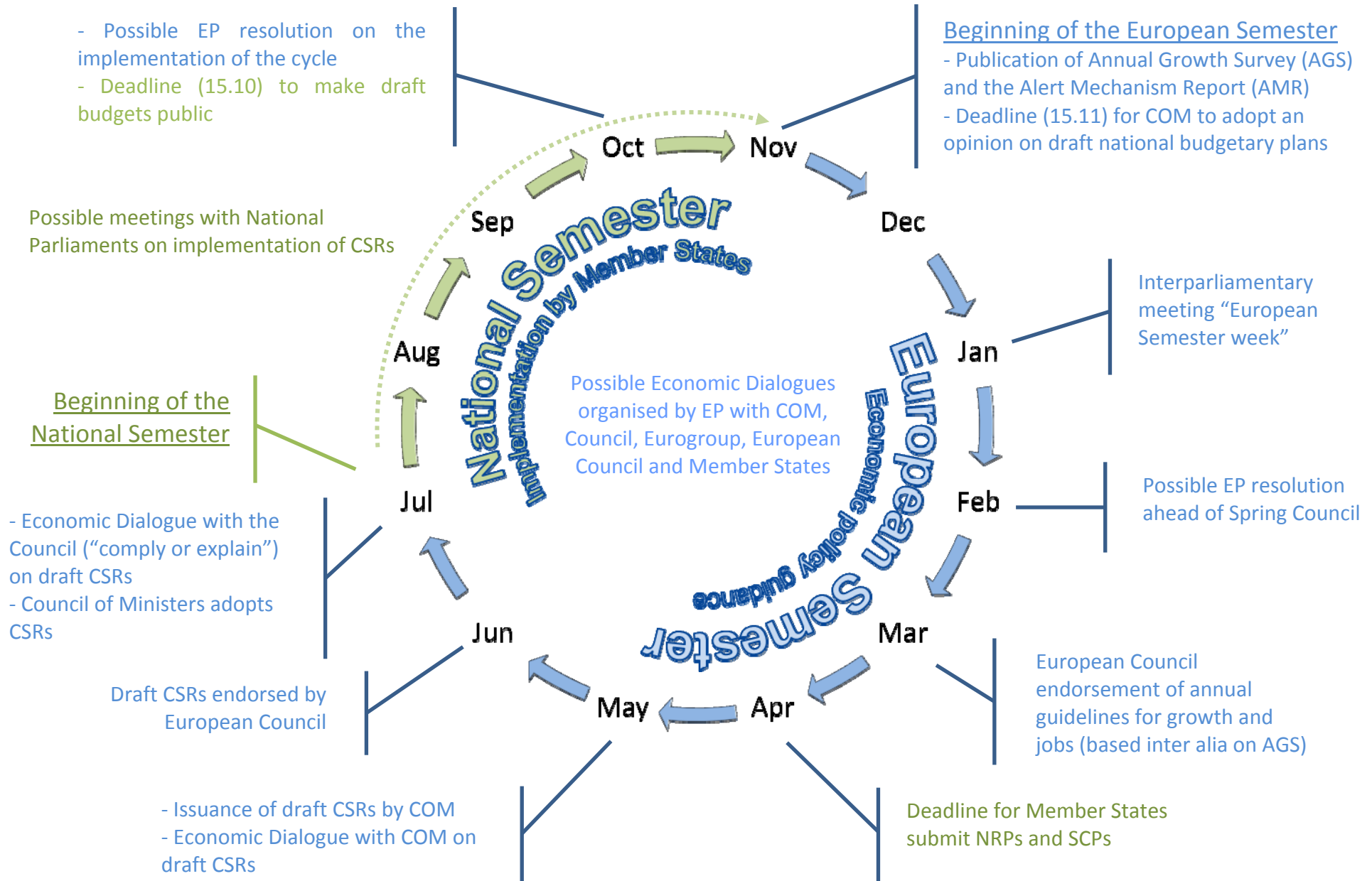
The meeting will start with a 10 minutes presentation by the EP rapporteur Elisa Ferreira of her report on the 2013 cycle of the European Semester. The floor will then be given to representatives of national parliaments and MEPs.

Speaking cards will be used to facilitate the debate: representatives of national parliaments willing to speak will have to fill in a speaking card and hand it to the ushers.

The floor will be given alternatively to 2 representatives of national parliaments and 1 member of the ECON Committee.

Since a lot of participants have registered for this exchange of views, a 3 minutes maximum speech will be allowed.

# The European Semester: an annual cycle



**An overview of the European Semester and Economic Governance tools ("6 and 2-pack")**

**Main steps under European Semester Cycle for all Member States:**

- **November:** Communication from the Commission on AGS and report on AMR - Possible EP resolution
- Annual Employment Guidelines (EGs) proposed by COM and adopted by the EU Council - EP consulted
- Multi-annual Broad Economic Policy Guidelines (BEPGs) proposed by COM and adopted by the Council - EP informed
  - **January:** European Parliamentary Week to discuss EU priorities for the Semester Cycle
- **March:** EU priorities endorsed by European Council based on the Commission proposal and Council preparations
- **April:** Submission by MS of National Reform Programmes (NRP) and Stability or Convergence programmes (SCP)
  - **May:** Assessment by the Commission and Council of the NRPs and SCPs
  - **May:** Proposal of the Commission of Country Specific Recommendations (draft CSRs)
    - **June:** Economic Dialogue with the Commission on the draft CSRs
- **June:** European Council endorsement and Council adoption the CSRs - Possible follow-up EP resolution
  - **June-July:** Economic Dialogue with the Council on the CSR ("*comply or explain*")
    - Implementation of the CSRs in Member States
- **October:** Submission and monitoring of national draft budgetary plans (€-Member States)
- Assessment of the Semester Cycle as a whole - Dialogues with MS and EU institutions
  - **November:** Next Semester Cycle starts at the EU level

**Economic governance tools for specific policy challenges in one or more Member State:**

| Risk of macroeconomic imbalances   | Risk to the sustainability of public finance   | Assistance to Member States in financial difficulties  |
|--|--|--|
| <ul style="list-style-type: none"> <li>▶ Alert Mechanism Report based on a scoreboard</li> <li>▶ If needed, in-depth review, including surveillance missions</li> <li>▶ Possibly CSRs (in case of imbalance)</li> <li>▶ If needed, corrective action plans in case of excessive imbalances</li> <li>▶ Possible sanction procedures (€-MS)</li> </ul> | <ul style="list-style-type: none"> <li>▶ Preventive arm of the SGP: medium-term fiscal plans, surveillance of SCPs and NRPs</li> <li>▶ Possibly CSRs</li> <li>▶ MS draft budgetary plans based on independent macroeconomic forecasts</li> <li>▶ MS to report on debt issuance plans</li> <li>▶ If needed, launching of an Excessive Deficit Procedure (EDP), including economic partnership programmes for €-MS</li> <li>▶ Possible sanction procedures (€-MS)</li> </ul>   | <ul style="list-style-type: none"> <li>▶ Macroeconomic adjustment programme (stability support with conditionality) for Euro Area Member State</li> <li>▶ Balance of payments facility for non-Euro Area Member State</li> <li>▶ Enhanced surveillance</li> <li>▶ Financial assistance (e.g. ESM, EFSF, EFSM, IMF)</li> <li>▶ Specific role of ECB and IMF as part of the "Troika"</li> <li>▶ Possible technical assistance</li> </ul>   |
| Relevant legal texts   | Relevant legal texts   | Relevant legal texts   |
| <ul style="list-style-type: none"> <li>▶ Regulation (EU) No 1176/2011 on the prevention and correction of macroeconomic imbalances</li> <li>▶ Regulation (EU) No 1174/2011 on enforcement measures to correct excessive macroeconomic imbalances in the euro area</li> </ul>   | <ul style="list-style-type: none"> <li>▶ Regulation (EU) No 1466/97 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies</li> <li>▶ Regulation (EU) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure</li> <li>▶ Regulation (EU) No 1173/2011 on the effective enforcement of budgetary surveillance in the euro area</li> <li>▶ Regulation (EU) No 473/2013 on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the Member States in the euro area</li> <li>▶ Treaty on Stability, Coordination and Governance in EMU</li> </ul> | <ul style="list-style-type: none"> <li>▶ Regulation (EU) No 472/2013 on the strengthening of economic and budgetary surveillance of Member States experiencing or threatened with serious difficulties with respect to their financial stability in the euro area</li> <li>▶ Council Regulation (EC) No 332/2002 establishing a facility providing medium-term financial assistance for Member States' balances of payments</li> <li>▶ Rules governing the European Stability Mechanism (ESM), European Financial Stabilisation Mechanism (EFSM) and European Financial Stability Facility (EFSF)</li> </ul> |





# Does the European Semester deliver the right policy advice?

Zsolt Darvas and Erkki Vihriälä  
Bruegel

Briefing submitted in advance of the Economic Dialogue with  
the President of the Eurogroup in ECON  
on 5 September 2013

## **Abstract**

The July 2013 Council recommendations for the euro area recognise a number of fiscal and macrostructural challenges, but they do not go far enough in exploiting the policy options rendered possible by the European economic governance framework. There are particular problems with the Council's suggestions for the euro area as whole, because these suggestions are not (or are not adequately) reflected by the country-specific recommendations. A major drawback is that the Council recommendations do not give sufficient importance to symmetric intra-euro area adjustments. Reference to the euro area's 'aggregate fiscal stance' is empty rhetoric. Insufficient attention is paid to demand management. The most comprehensive recommendations are made on structural reforms (labour markets, product markets, business environment, and public finance management). While the July/August 2013 Article IV IMF recommendations on macroeconomic policies could have been also more ambitious in certain aspects, still, they better correspond to the economic situation of the euro area than the Council's recommendations. The President of the Euro Group should continue the discussions on the completion of the economic governance framework, including the completion of the banking union and the setting-up of a euro-area institution responsible for managing the euro area's aggregate fiscal stance.

This document was requested by the European Parliament's Committee on Economic and Monetary Affairs.

#### **WEBSITE**

This document is published on European Parliament Economic and Monetary Affairs Committee home page, under the section European Semester and Economic dialogue Eurogroup tab: <http://www.europarl.europa.eu/committees/en/econ/publications.html?id=ECON00011#menuzone>

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## **1. Introduction**

The European Semester, a yearly cycle of economic policy coordination inaugurated in 2011, lies at the heart of the European Union's new economic governance framework. It starts with the setting of the main priorities by the European Commission in the 'Annual Growth Survey', followed by the submission and assessment of EU member state National Reform Programmes and Stability and Convergence Programmes. It concludes with country-specific recommendations and recommendations for the euro area as a whole.

EU member states are expected to implement the recommendations. The two main EU surveillance procedures, the Excessive Deficit Procedure (EDP) and the Macroeconomic Imbalances Procedure (MIP), are integrated into the European Semester, and non-compliance with the Council recommendations may trigger procedural steps, including sanctions.

The third European Semester was concluded by the Council recommendations on 9 July 2013. In this Briefing Paper, we assess the main fiscal and macro-structural challenges and recommendations for the euro area and its member states. Given the space constraints of this briefing paper, we focus on the main challenges for the euro area and therefore we cannot assess the recommendations for all 17 euro-area member states<sup>1</sup>. Instead, in addition to recommendations for the euro area as a whole, we assess the recommendations for the euro area's five largest economies: Germany, France, Italy, the Netherlands and Spain. These five countries account for 83 percent of euro-area GDP, meaning that they represent well the diversity of the euro area.

We first characterise the main economic, fiscal and financial conditions in the euro area to present the situation against which the recommendations should be assessed. This is followed by the summary and our assessment of the main recommendations for the euro area as a whole and for the five countries. For comparison, we also report the International Monetary Fund's recommendations in the framework of the Article IV consultations for all five countries and the euro area. Finally, we summarise our conclusions.

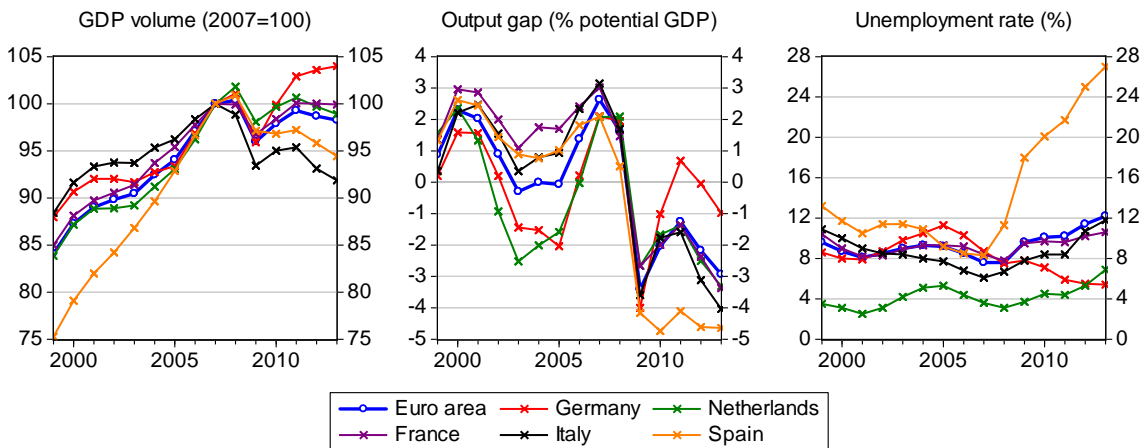
## **2. Economic and fiscal developments in the euro area**

The figures in this section highlight the main economic and fiscal developments in the euro area, which provide the basis for assessing the Council's and the IMF's recommendations in the next section.

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<sup>1</sup> See Table on the 2012 and 2013 recommendations and the European Commission's assessment of the implementation of the 2012 recommendations for all euro-area member states, as well as the recommendations for the euro area, in European Parliament (2013). See an independent assessment of the first two rounds of the European Semester in Hallerberg, Mazinotto and Wolff (2012a,b).

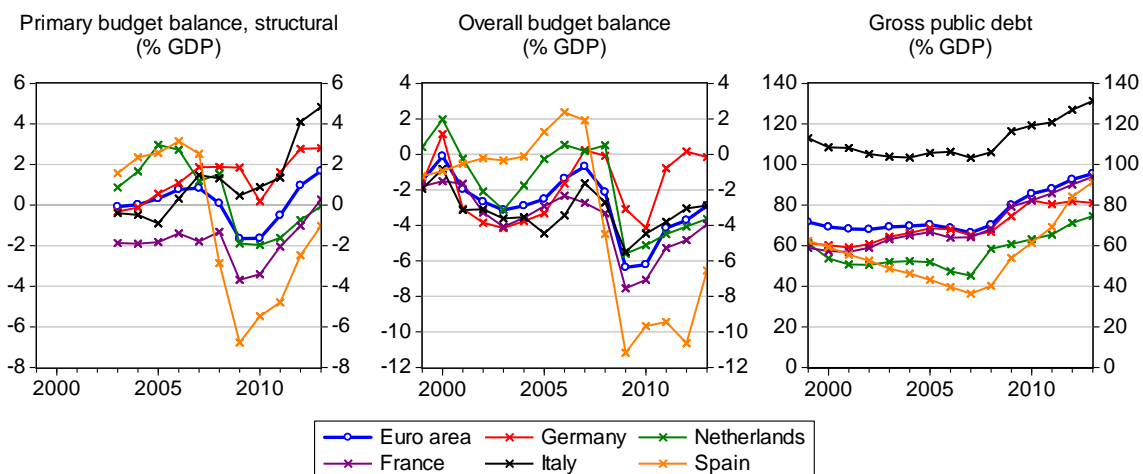
Figure 1: Main indicators of the economic cycle



Source: European Commission Spring 2013 forecast.

In 2012, euro-area GDP fell. It is expected to continue to fall in 2013, despite the recent positive quarterly growth rate in 2013Q2. The output gap is forecast to widen from -1.2 percent of GDP in 2011 to -2.9 percent in 2013. There is also a growth deceleration in Germany and a forecast widening of the output gap to -1.0 percent in 2013, though arguably, Germany is in the best economic condition among the countries we consider. In the Netherlands, the output gap is expected to widen to -3.6 percent, and to even more in Spain and Italy. The unemployment rate has also increased in all countries except Germany in recent years. Private consumption and private investment have also declined in the euro area during the past two years. Overall, the cyclical position in the whole euro area has clearly worsened since 2011.

Figure 2: Main public finance indicators



Source: European Commission Spring 2013 forecast.

The euro area's structural primary budget balance (ie the balance excluding interest payments and cleaned from the impact of the economic cycle and one-time items) is expected to improve from -1.6 percent of GDP in 2010 to 1.7 percent in 2013, reflecting an annual fiscal consolidation effort of 1 percent of GDP per year during the past three years.

Therefore, a rather significant fiscal consolidation has been implemented at a time when the cyclical position of the euro area has deteriorated considerably. There is no model that claims that this was an optimal policy (see Box 1). Instead, fiscal stabilisation should allow automatic

stabilisers to run in a cyclical downturn (in which case the structural deficit remains stable and the actual deficit worsens), or even implement a fiscal stimulus (when the structural deficit also worsens).

The EU's fiscal strategy was based on the conviction that fiscal austerity is needed to restore trust, to limit increases in debt and thereby to lay the foundations for sustainable growth. Undoubtedly, low public debt has great benefits. But premature fiscal consolidation at the euro-area level has side effects, and the need for fiscal consolidation at the country-level varies.

The public-debt-to-GDP ratio is indeed high and rising in Italy and particularly in Spain, and therefore there was no alternative to fiscal consolidation (the only question was its pace). However, debt levels are lower in Germany and the Netherlands and no one questions their sustainability. From 2010 to 2013, Germany consolidated its structural primary balance by about 3 percent of GDP and the Netherlands by about 2 percent of GDP. These two countries have strong policy regimes and more expansive fiscal policies better aligned to their negative output gaps, and the needs of the euro area would have not led to concerns about debt sustainability. As a comparison, the US and Japan continue to borrow at low interest rates despite their much higher public debts and deficits. Therefore, the issue is not a return to 'failed old debt-making policies' in highly indebted countries, but to ensure fiscal stabilisation at the euro area level until private demand is weak.

Buti and Carnot (2013) challenge some criticisms of the EU's fiscal strategy and essentially conclude that fiscal consolidation was necessary in southern Europe, with which we agree. But they are silent on developments of the aggregate fiscal stance of the euro area, which was strongly influenced by the major fiscal consolidation by Germany and other euro-area Member States with strong fiscal fundamentals during the past few years. They only note that the fiscal stance of Germany is now broadly neutral, which they regard correct: again, this assessment does not consider the implication of German fiscal stance for the aggregate euro-area fiscal stance at a time when the cyclical position of the euro area is very weak.

The premature aggregate euro-area fiscal consolidation is hindering the deleveraging of the private sector and rendering it more difficult for southern euro-area member states to implement their necessary fiscal consolidation. It is also inhibiting the reduction in intra-euro area current-account imbalances and pushing the euro area to a current account surplus. This last effect can worsen global imbalances<sup>2</sup>.

We therefore conclude that the overall euro-area fiscal stance, significant consolidation from 2011 to 2013, was inconsistent with the sizeable deterioration of the cyclical position. Lack of an authority responsible for the aggregate fiscal stance has therefore been a major handicap for the euro area (Darvas 2012b, Wolff 2012).

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<sup>2</sup> Darvas (2010) warned that premature fiscal consolidation at the euro-area level will likely lead to these four side effects.

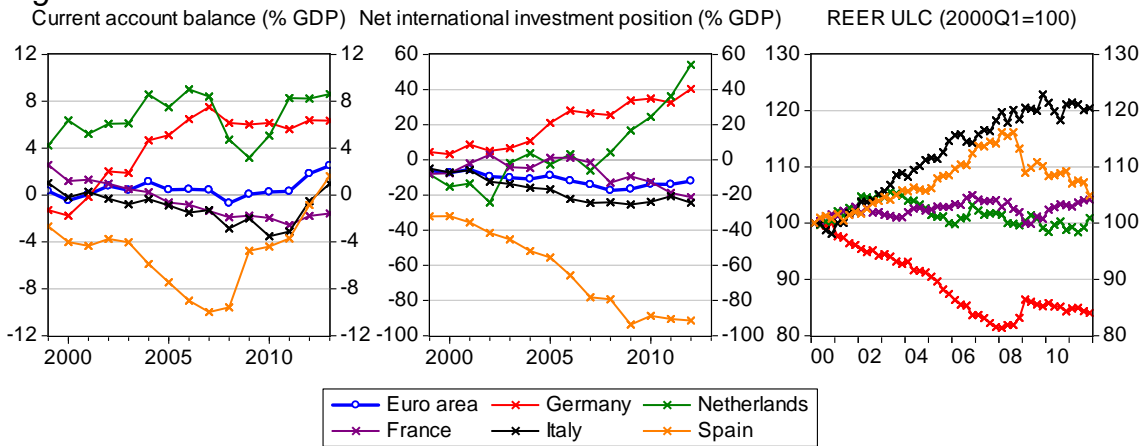
### **Box 1: Academic findings on fiscal stabilisation, including in a monetary union**

*Is fiscal policy needed to stabilise output? If the central bank is not constrained by the zero lower bound on nominal interest rates, the classical models suggest no role for fiscal policy in stabilisation (Mankiw and Weinzierl, 2011). Mankiw and Weinzierl argued further that even if the zero-bound is binding, the central bank can stabilise aggregate demand by committing to future expansionary policy. Krugman (1998) made the same point by arguing that with policy rates at zero, the central bank faces the dilemma of “promising credibly to be irresponsible”. If that fails, Mankiw and Weinzierl, and Krugman, agree that expansionary fiscal policy can increase output, although the former note that welfare gains are larger if the fiscal reaction consists of tax changes rather than increased public spending. In practice, central banks do not seem to offset fiscal policy changes completely all the time. Notably Auerbach and Gorodnichenko (2012) found that fiscal policy has significant effects on output, particularly in recessions.*

*The textbook role for fiscal policy in a multi-country monetary union is to counteract national shocks. Ferrero (2009) argued that countries should respond to idiosyncratic shocks by varying distorting taxation and government debt. Gali and Monacelli (2008) concluded that when the central bank targets aggregate price stability, national fiscal policy to smooth idiosyncratic shocks is desirable both from the viewpoint of the individual country and the entire monetary union. Nevertheless, in the current situation, countries that could most use fiscal policy flexibility do not have, or are at risk of losing, market access. Therefore an important question is whether fiscal expansion in countries with fiscal space would have positive spillover effects and could be used as an (imperfect) substitute. Hebous and Zimmermann (2013) found that the effect on output of a currency union-wide fiscal shock is greater for most countries than the effect of a similarly sized national shock. As the fiscal costs of an aggregate shock are considerably smaller for each single country than the costs of purely domestic expansion, this favours coordination of fiscal policies. However, the impact on particular countries depends on their openness and trade links. For instance, Cwik and Wieland (2011) argued that the spillover effects are quantitatively small.*

*It is not realistic though to expect first-best coordination of fiscal policies decided by 17 euro-area national parliaments. Therefore, there is on-going discussion about the need for a European federal fiscal authority (Darvas, 2012b; Wolff, 2012). Proponents of this argue that it would act as a stabiliser during an economic downturn. Asdrubali et al (1996) estimated in their seminal paper that the US federal state smoothed about 13 percent of shocks to regional output between 1963-90. Cross-border flows of capital income and credit markets smoothed another 62 percent of shocks. In another study, Mélitz and Zumer (2002) found that the central government absorbed about 20 percent of regional shocks to personal income in the United Kingdom, the US and France, while the share was lower in Canada. Finally, Furceri and Zdzienicka (2012) showed that risk sharing in the euro area is substantially lower than elsewhere. Furthermore, it is considerably lower during large downturns when it is most needed. Fiscal integration could therefore contribute to the stabilisation of the economic cycle in the euro area, beyond other benefits such as further development of cross-border credit and capital markets.*

**Figure 3: Indicators of external imbalances**



Source: European Commission Spring 2013 forecast (current account balance), Eurostat (net international investment position) and Darvas (2012a) (unit-labour cost based real effective exchange rate = REER ULC).

Note: The REER was calculated against other euro-area partners. The REER considers the business sector excluding construction, real estate and agriculture, and was calculated using constant 2008Q1 sectoral weights in order to limit the impact of compositional changes on the REER.

In addition to fiscal consolidation, another concern has been the adjustment of external imbalances. There has been significant progress on this. The previous current-account deficits of Spain and Italy are expected to turn to surpluses, and Spain's intra-euro real affective exchange rate has depreciated significantly (though Italy's has not)<sup>3</sup>.

However, while Spain's export performance is indeed impressive (Italy's less so), it needs to be further improved and sustained. Also, it is not easy to determine the parts played by improved competitiveness and the collapse of domestic demand in the improvement of the trade balance<sup>4</sup>. Spain has a close to minus 90 percent of GDP net international investment position (NIIP), which is largely comprised of debt and is much larger than the 35 percent threshold in the Macroeconomic Imbalance Procedure (MIP). Therefore, Spain's trade balance should shift to a sizeable surplus in order to ensure external debt sustainability. Italy does not have a large negative NIIP, but its exports have long been losing market share and its economic growth was low even before the crisis. Real exchange rate depreciation could foster the development of the tradable sector, which in turn could improve overall economic growth as a larger share of the economy would face international competition, fostering productivity growth. Therefore, major adjustments still lie ahead. Since euro-area member states do not have a stand-alone currency, intra-euro adjustment is necessary (though not sufficient).

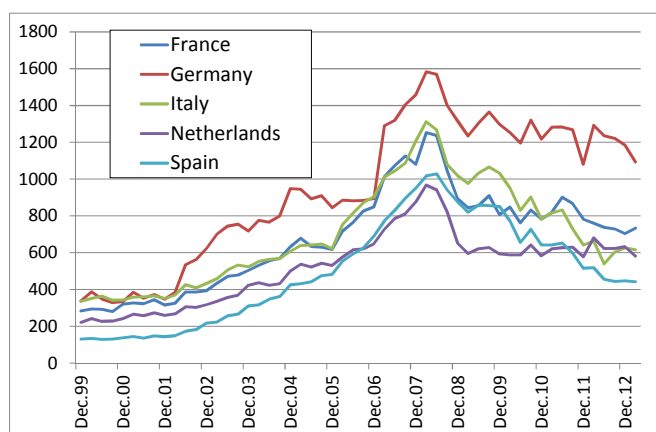
Finally, the weak state of domestic banking systems in southern Europe constrains access to credit. Non-performing loans continued to increase in Italy and Spain in 2012. Domestic problems are accentuated by the simultaneous re-nationalisation of banking systems. Foreign banks have

<sup>3</sup> We note that in Spain, the major reason for the fall in ULC was massive layoffs (Darvas, 2012a), with adverse social consequences.

<sup>4</sup> Using a simple accounting identity, it is possible to calculate the roles played by exports and imports in the improvement of the trade balance. For example, in the case of Spain, imports contributed by about two-thirds when constant-price data is used. But there were major changes in the terms of trade and current-price data suggests that exports had a two-third role. Beyond the accounting identity relating exports and imports to the trade balance, the impact of domestic demand collapse on both imports and exports are not known. For example, due to the collapse of domestic demand, some produces may have forced to export, even if it is less profitable (and therefore less sustainable). Therefore, there is much controversy about the roles played by improved competitiveness and the collapse of domestic demand in the improvement of the trade balance.

significantly reduced their exposure to southern Europe and have therefore withdrawn a major source of bank funding (Figure 4). Although cross-border intermediation has also decreased in stronger countries, this is less of a problem for them because they received a massive private capital inflow which also pushed down interest rates. Furthermore, the nature of the reduction of bank exposure to Germany and the Netherlands was more related to the Lehman Brothers crash, and exposure broadly stabilised soon after.

Figure 4: Foreign claims by European banks on selected countries (bn USD), 1999Q4-2013Q1



Source: BIS.

Based on these observations, we highlight five major challenges for the euro area:

- Aligning the aggregate fiscal stance of the euro area with the aggregate economic situation;
- Stimulating private investment and consumption;
- Reducing unemployment in the harder-hit countries by either creating jobs in those countries, or helping intra-EU mobility;
- Fostering symmetric the adjustment of intra-euro price/wage divergences and external imbalances;
- Fully reversing financial fragmentation.

### 3. The July 2013 Council recommendations

We now turn to the July 2013 Council recommendations, which are summarised in Table 1.

Table 1: Summary of July 2013 main recommendations adopted by the Council

|               | Euro area  | Germany                         | The Netherlands  | France   | Italy  | Spain  |
|---------------|--|---------------------------------|--|--|--|--|
| Fiscal policy | - aggregate fiscal stance of the euro area should ensure growth-friendly and differentiated fiscal policy<br>- allow | -preserve sound fiscal position | -correct excessive deficit by 2014 and achieve MTO by 2015 | -correct excessive deficit by 2015 and achieve MTO by 2016 | -deficit below 3 % in 2013<br>-achieve MTO by 2014 | -correct excessive deficit by 2016 and achieve MTO by 2018 |



|                                      |   |   |   |  |   |   |
|--------------------------------------|---|---|---|--|---|---|
|                                      | automatic stabilisers to function along the adjustment path   |   |   |  |   |   |
| Demand management                    | -coordinate aggregate fiscal stance<br>- address employment crisis  | -promote wage growth by reducing high taxes and social security contributions   | -protect growth-sensitive public expenditure  | -growth friendly consolidation and tax reform  | -growth-friendly fiscal consolidation<br>-upgrade infrastructure  | -reduce government arrears  |
| Labour market                        | -coordinate and monitor national reforms<br>- tackle the social consequences of the crisis and rising unemployment, along the Compact for Growth and Jobs and the EU Youth Guarantee  | -raise the educational achievement of disadvantaged people<br>-improve incentives to work for second-earners and low-skilled<br>-integrate long-term unemployed | -increase labour market participation by reducing tax disincentives on labour and reforming employment protection legislation | -unemployment benefit system reform<br>-increase labour market participation (focus on older workers)<br>-promote apprenticeship | -increase labour market participation<br>-improve incentives to work for second-earners and low-skilled<br>-better targeting of social transfers                | -evaluate the need for further labour market reforms<br>-improve unemployment agencies<br>-Youth guarantee<br>-active labour market policies to improve employability |
| Product market /business environment | -coordinate and monitor national reforms  | -stimulate competition in services  | (nothing)   | -stimulate competition in services<br>-foster innovation and exports<br>-improve the business environment                        | -stimulate competition in services<br>-growth-friendly tax reform (reduce taxes on labour and capital; increase taxes on consumption, property and environment) | -stimulate competition in services<br>-improve the business environment   |
| Financial system                     | -assess reasons for differences in lending rates to SMEs<br>- stress tests and banking balance sheet repair<br>-burden sharing in bank recapitalisation<br>-credible fiscal backstop<br>-remove supervisory incentives for financial fragmentation<br>-accelerate | -pursue consolidation in the sector   | (nothing)   | (nothing)  | -extend good corporate governance<br>-asset-quality screening<br>-promote non-bank financing  | -recapitalise banks and promote non-bank financing  |

|                            |  |  |  |   |   |  |
|----------------------------|--|--|--|---|---|--|
|                            | banking union  |  |  |   |   |  |
| Intra-euro area adjustment | -address national distortions to saving and investment in both current account deficit and surplus countries<br>-implement effectively the MIP | (nothing)  | (nothing)  | -lower labour costs   | - labour market and wage setting reform to align productivity and wages   | -Support schemes for internationalisation of firms   |
| Private debt               | (nothing)  | (nothing)  | (nothing)  | -reduce debt bias in corporate taxation   | -resolution of non-performing loans   | -reduce debt bias in corporate taxation<br>-review insolvency frameworks for companies and individuals   |
| Public finance management  | (nothing)  | -implement debt brake in all Länder<br>- cost-effectiveness of healthcare spending<br>- efficiency of the tax system<br>-extend public procurement | -pension, health and long-term care reform                   | -reform of the relation between central and local governments<br>- cost-effectiveness of healthcare spending<br>- efficiency and simplification of the tax system<br>-public expenditure efficiency<br>-pension and health reform | -efficiency and quality of public expenditures<br>-improve coordination between layers of government<br>-public expenditure efficiency<br>-extend public procurement<br>-improve tax collection | -independent fiscal council by 2013<br>-reform of local administration<br>- cost-effectiveness of healthcare spending<br>-efficiency of overall public administration<br>-remove indexation of public expenditures<br>-pension reform<br>-tax reform |
| Other reforms              |  |  | -housing rental market<br>-reduce mortgage tax deductibility |   | -judicial system efficiency<br>-repress corruption<br>-improve the management of EU funds<br>-education reform<br>-fight tax evasion and the shadow economy                                     | -judicial system efficiency<br>-education reform<br>-housing rental market   |

Source: Bruegel based on official documents.

When assessing the Council recommendations, one has to bear in mind that they are required to comply with the euro area's new economic and fiscal governance framework. For example, even if a case can be made for a more active fiscal policy at the euro-area level, the revised Stability and Growth Pact and the Fiscal Compact (Treaty on Stability, Coordination and Governance in the Economic and Monetary Union) set limits on structural deficits<sup>5</sup>. Also, monetary policy is the responsibility of the independent European Central Bank and therefore the Council should not give recommendations that are related to the authority of the ECB. The recommendations therefore have to be assessed within the remits of the fiscal framework, while the governance framework itself has to be assessed separately (which is beyond the scope of this briefing paper).

We make the following observations:

1. **A number of euro-area recommendations are not (or are not properly) reflected in country-specific recommendations.** Specific examples are the aggregate fiscal stance of the euro area (see point 2 below), the adjustment of both current account surpluses and deficits (point 7) and the financial sector repair (point 8). Who will be responsible for allocating among euro-area member states the tasks for the euro area if the Council does not do this? The country-specific recommendations do not detail the contribution of the particular country to the implementation of the euro-area recommendations. There has therefore been no improvement since Hallerberg, Marzinotto and Wolff (2012) concluded that "*...the European Commission and Council issue... separate recommendations to the euro area. Still, this seems like an empty exercise. It is not clear who the euro-area recommendations are addressed to and who is supposed to implement them. Euro-area considerations should not be treated in a separate document, but should cut across all country-specific recommendations for euro-area countries.*"
2. **The concept of the "aggregate fiscal stance of the euro area" is a largely empty concept.** The recommendations call for an "*aggregate fiscal stance for the euro area as a whole to ensure a growth friendly and differentiated fiscal policy*". The rest of the recommendation suggests that Eurogroup discusses the Commission's opinion of the draft budgetary plans of each member states of the euro area (which should reflect country-specific situations and have to be in line with the Stability and Growth Pact) and their interactions. However, the recommendation does not specify the ideal aggregate fiscal stance of the euro area and therefore there is no way for allocating the ideal stance among the countries. The adopted bottom-up approach will not ensure that the aggregate of the national actions of the 17 member states will coincide with the needs of the euro area economy. Also, the country-specific suggestions do not consider the spillover effects from one country to other countries or the euro area as a whole.

In our view, mere coordination of fiscal policies will not achieve an optimal fiscal policy for the euro area, because national fiscal policies are approved by national parliaments, and national parliamentarians primarily consider their own countries, and not the euro area as a whole, when setting fiscal policy. Only the establishment of a euro-area fiscal institution responsible for managing the euro area's fiscal stance (financed ideally from direct tax revenues) would be able to achieve an adequate fiscal stance (Darvas, 2012b, Wolff, 2012).

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For a summary of EU's economic governance, see European Commission (2013).

3. **Certain principles are not applied equally.** As laid out in the document for the euro area, member states with “*significant and potentially rising risk premia should limit deviations from the nominal balance targets even against worse-than-expected macroeconomic conditions*”. The risk premia of Italy and Spain are broadly similar (Italy’ premium is slightly lower than Spain’s). The quoted principle was probably applied to Italy (“*Ensure that the deficit remains below 3% of GDP in 2013.*”), but not to Spain, a country (along with France and the Netherlands) that was given more time to meet the nominal deficit target of 3 percent of GDP. (We note that it was the right decision to extend the deadline for meeting the nominal targets at a time when the economic situation became worse than expected).
4. **The fiscal strategy continues to reflect a consolidation bias, which is not consistent with the economic situation of the euro area.** We have noted that the euro area’s challenging cyclical situation warrants a less-austere aggregate fiscal stance. But by recommending that Germany preserves its sound fiscal position, and that other countries pursue fiscal consolidation, the aggregate fiscal stance of the euro area will be too tight, even if the pace of consolidation at the euro-area aggregate level slows down compared the past years<sup>6</sup>. According to the European Commission, Germany has met her medium term objectives (MTO) with a wide margin in the preventive arm of the Stability and Growth Pact (SGP) and is forecast to have 0.3-0.4 percent of GDP structural budget surplus in 2013-14, well above 0.5 percent structural deficit threshold of the Fiscal Compact. The deficit goals at the federal level under the national debt brake rule were also achieved well ahead of schedule. Therefore, the fiscal rules would have allowed more broad-based tax cuts to stimulate private investment and consumption and measures to increase public investment, but no such recommendations are made for Germany.
5. **A major weakness is that demand management is only indirectly included in the euro-area recommendations and the recommendation for Germany is feeble.** The Council’s proposal for coordinating of the aggregate fiscal stance of the euro area and attempting to lower unemployment may increase demand. However, we already argued that the aggregate fiscal stance is largely an empty concept; furthermore, there was no direct recommendation for the euro area to increase demand, despite the continued fall in private consumption and investment. Among the five countries that we consider, only Germany received a suggestion that it should boost domestic demand. Yet while the actual text includes important policy goals, overall, it fails to emphasise the main point of stimulating aggregate private demand: “*Sustain conditions that enable wage growth to support domestic demand. To this purpose, reduce high taxes and social security contributions, especially for low-wage earners and raise the educational achievement of disadvantaged people. Maintain appropriate activation and integration measures, especially for the long-term unemployed. Facilitate the transition from non-standard employment such as mini-jobs into more sustainable forms of employment. Take measures to improve incentives to work and the employability of workers, in particular for second earners and low-skilled, also with a view to improving their income. To this end, remove disincentives for second earners and further increase the availability of fulltime childcare facilities and all-day schools.*” Reducing taxes and social security contributions are right tools, but the clause to the sentence in which this suggestion is made calls for raising the educational achievement of disadvantaged people,

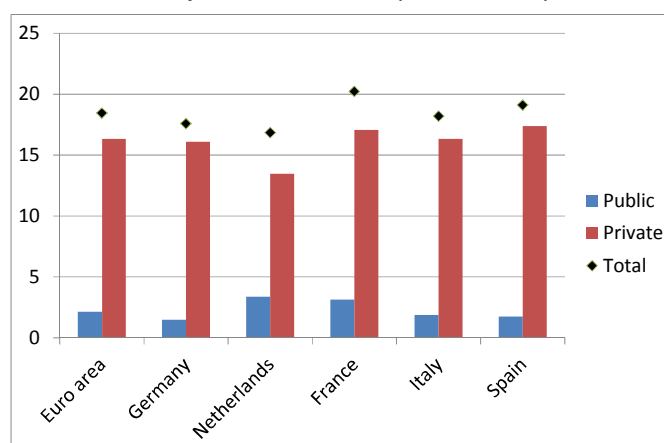
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<sup>6</sup> We also note that France is not recommended to implement public spending cuts, while it has one of the highest public spending ratio (relative to GDP) in the EU.

suggesting that this is a major channel for increasing demand (with which we disagree). The rest of the paragraph emphasises the goal of increasing employment, which is of course important, but it is unlikely to contribute to a significant increase in domestic demand in a country in which both the labour force participation rate and the employment rate are the second highest in the euro area and in which the unemployment rate is at a two-decade low<sup>7</sup>.

6. **Investment is not a priority.** Related to the previous point, while the 2012 euro-area recommendations stated the goal of increasing public investment, this recommendation was not made in 2013. Also, no recommendations were made for Germany to increase public investment (which is among the lowest in the euro area relative to GDP – see Figure 5) or to stimulate private investment (which is also among the lowest). We single out Germany here because it is the country with the largest external surpluses and could arguably benefit from more domestic sources of growth. Because of its size, its actions also have the most significant spillover effects on other countries.

Figure 5: Gross fixed capital formation (% of GDP) in 2012



Source: AMECO.

7. **According to the Council, the adjustment of intra-euro area competitiveness divergences and external imbalances should be largely one-sided, ie only deficit countries should adjust.** One of the 2012 Council recommendations for Germany was “create conditions for wages to grow in line with productivity”, yet even this suggestion was not ambitious enough, because it referred to future developments and not to the correction of past divergences. But the 2013 recommendations for Germany do not even mention the relationship of wages to productivity, nor mention the need for a more symmetric intra-euro adjustment, but provide only a general comment on wage growth, as we noted in point 5. The recommendations for Germany and the Netherlands also fail to mention these countries’ current-account surpluses, which are larger than the threshold in the MIP<sup>8</sup>. The European Commission’s background document for Germany does say that Germany and the rest of the euro area would benefit from the unwinding of current account surpluses in Germany, but this is said

<sup>7</sup> Among the 17 euro-area countries, the Netherlands had the highest labour force participation rate (75.1 percent) and the highest employment rate (79.3 percent) in 2012, followed by Germany (72.8 percent and 77.1 percent, respectively), while the euro area averages are 63.8 percent and 72.0 percent, respectively.

<sup>8</sup> Note that the MIP thresholds for current account balances are asymmetric: plus 6 percent of GDP for surpluses and minus 4 percent of GDP for deficits (considering the 3 year backward moving average of the current account balance as percent of GDP).

very cautiously and hidden somewhere in a 30-page working document and this issue is not addressed in the country-specific recommendations<sup>9</sup>.

We note that symmetric intra-euro area price adjustments would be necessary not just for rebalancing price-competitiveness between deficit and surplus countries of the euro area, but also for public debt sustainability. Competitiveness adjustment in deficit countries requires persistently lower inflation than in major trading partners, but low inflation worsens public debt sustainability. When inflation in surplus countries is low (e.g. below two percent), inflation has to be even lower in southern Europe, undermining debt sustainability (Darvas, 2013b). The Council recommendations also do not consider this important interplay between intra-euro adjustment and public debt sustainability.

8. **The country-specific recommendations highlight the need for domestic markets to be opened to greater competition, particularly in the service sectors and in public procurement, but lack EU level initiatives.** The recommendations rightly stress the significant potential growth that could be stimulated by opening up regulated professions, which are generally protected by high barriers to entry. But the recommendations focus on country-specific solutions. However, associations of professionals have powerful tools for lobbying national parliaments; these tools have traditionally been used to shield professions from external competition, making national progress slow and often incomplete. It is therefore desirable to promote complementary initiatives at the EU level in order to speed-up the convergence of professional services regulation in member states, and to increase domestic competition. The 2006 Services Directive could serve that purpose, but additional effort at EU level is needed in order to promote the effective and uniform implementation of the Directive throughout Europe. Likewise, the recommendations rightly stress the need for an increase in competition in network industries, such as telecommunications, energy and transport and, particularly, railway services. It appears however that a key role in the opening of national markets to competition should be played at an EU level, by reducing single market fragmentation and stimulating cross-border<sup>10</sup>.
9. **The suggestions for financial sector repair go in the right direction, but remain too timid.** Although the euro-area recommendations include a call to limit national supervisory incentives for re-nationalisation of bank assets and liabilities, this is absent from the country-specific recommendations. Another issue that is not properly addressed is the general under-capitalisation of the European banking system, which extends to the core countries. The US banking system remains better capitalised, although the euro area should arguably aim even higher.
10. **The most comprehensive recommendations are on structural reforms aimed at improving the functioning of labour and product markets and making the business environment more growth-friendly.** There are several specific suggestions for, for example, France, Italy and Spain on complementing labour market reforms. These are important questions to be addressed to ensure the long-run viability of the monetary union and national social contracts.
11. **Recommendations on improving public finance management are all point toward the right goals.** Several countries are recommended to improve the efficiency and

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<sup>9</sup> We also note that in 2011 and 2012 Germany became the country having largest current account surplus in the world, ahead of

China.

<sup>10</sup> This assessment was made by Mario Mariniello.

quality of public expenditures, including healthcare and pension reform, extending public procurement, complementing national fiscal governance frameworks and reforming the relation between the central and local governments.

Based on these observations, we therefore conclude that the main priorities of the Council's country-specific recommendations are:

- Complete fiscal consolidation, with a view to the composition of the adjustment ('growth friendly');
- Reform of labour markets;
- To stimulate competition in services and improve the business environment;
- To improve public finance management through institutional reforms.

Meanwhile, the following areas are not a priority in *country-specific* recommendations in an appropriate way:

- Demand management;
- Symmetric intra-euro area competitiveness and current-account adjustment (even though the euro-area recommendations underline the importance of adjustment of both current account surpluses and deficits);
- Repair and reform of the financial system (even though the euro-area recommendations emphasise the importance of bank balance-sheet clean-up, recapitalisation and the removal of national supervisory barriers for financial integration).

Therefore, even considering the limitations inherent in the European economic governance framework, the July 2013 Council recommendations do not go far enough in addressing a number of important challenges. Furthermore, certain tasks that pertain to the national authority are assigned to the euro area with little prospect of meaningful action.

Table 2 in the Annex summarises the IMF's July/August recommendations as concluded in its Article IV consultations<sup>11</sup>. While the IMF uses a careful language, does not suggest a radical departure from current policies and could have been more ambitious in certain aspects, in our assessment the IMF recommendations better correspond to the economic situation of the euro area than the Council's recommendations. The IMF favours a less-austere fiscal stance for the euro area (such as welcoming a modest loosening in Germany and suggesting a recalibration of fiscal policies if growth does not strengthen as envisioned; no further fiscal consolidation in 2013 in the Netherlands; some easing in France), suggests measures to achieve a more symmetrical intra-euro area adjustment (like increasing the wage share and boosting consumption and investment in surplus countries), and makes country-specific suggestions for financial-sector repair, beyond the overall suggestions for the euro area.

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<sup>11</sup> We note that Article IV recommendations reflect the opinion of IMF staff, and not necessarily the decision making bodies of the IMF.

## **Box 2: Energy sector recommendations**

*The Council's structural recommendations also include suggestions for the energy sector, and highlight a number of serious short-term issues, such as the tariff deficits in Spain, high renewables cost in Germany and inadequate national and/or international networks in France, Germany, Italy and Spain.*

*However, important long-term developments that undermine the functioning of the internal energy market are not addressed. France and Germany are moving ahead with the implementation of national capacity mechanisms that might result in national schemes driving investment, instead of a European market incentivising the most economic solution. Nor do the Council's recommendations address the direct and indirect inefficiencies of national renewable support schemes – compared to using existing cooperation tools. Developments like the discussion on a special coal tax in the Netherlands, which would undermine the EU emissions trading system – the cornerstone of European decarbonisation efforts – are also not on the Council's radar screen. Finally, volatile and uncoordinated national energy policymaking that lacks a clear vision about how energy investments should be remunerated in the future are not discussed. Such ad-hoc measures not only make the sector 'uninvestable' but also prevent the development of a stable European regulatory framework.*

*Overall, the Council documents do not address the worrying trends of divergence in the European internal energy market.<sup>12</sup>*

*This box was prepared by Georg Zachmann.*

## **4. Conclusions**

The July 2013 Council recommendations for the euro area and for its member states recognise a number of fiscal and macrostructural challenges but do not go far enough in exploiting the policy options offered by the European economic governance framework.

The recommendations are most comprehensive when they deal with various structural reforms, including labour market reforms and fiscal governance. The recommendations also rightly stress the significant potential growth that could be stimulated by opening domestic markets to greater competition, particularly in the service sectors, though several regulatory issues are delegated to the national level when EU-level initiatives are also needed.

The opposite is true for macroeconomic policies: certain suggestions are made for the euro area, such as achieving an adequate aggregate fiscal stance of the euro area, symmetric adjustment of intra-euro area imbalances and financial sector repair, but these suggestions are not (or not properly) reflected in the country-specific recommendations. It is therefore unclear who will implement the euro-area recommendations.

- The concept of “*aggregate fiscal stance of the euro area*” has no implications for policy, because the optimal fiscal stance of the euro area is not defined and each country is advised to implement its own fiscal strategy, without any regard to its impact on the rest of the euro area.

<sup>12</sup> See Zachmann (2013) for a blueprint on how to reap the significant benefits from an integrated European electricity market.



- Demand management receives almost no attention at a time when private consumption and investment is falling in the euro area and the output gap is largely negative. In our view, fiscal consolidation has to continue in those countries that have high public debts and deficits, like Spain, but those countries, like Germany, that have over-performed the European and national fiscal targets, should have been advised to boost private and public investment.
- The country-specific Council recommendations do not place enough importance on symmetric intra-euro area competitiveness and current-account adjustments. This shortcoming will make adjustment in former deficit countries much more difficult. Furthermore, lack of symmetric price adjustment will worsen public debt sustainability in southern Europe.
- Suggestions for the repair and reform of the financial sector are also too timid, and the country-specific recommendations largely miss the national to-do list corresponding to the euro-area recommendations on bank balance sheet clean-up, bank recapitalisation and reversing financial fragmentation.

While the IMF's July/August 2013 recommendations could have been more ambitious in certain aspects, still, they better correspond to the economic situation of the euro area, by favouring a less-austere fiscal stance, a more symmetric intra-euro area adjustment, and by making country-specific suggestions for financial sector repair.

The President of the Euro Group is in a difficult position to facilitate the collective and individual actions of the euro area's member states. If a country is in a somewhat better economic situation than the rest of the euro area (eg Germany), it is difficult to convince its leaders and parliamentarians that they should implement certain measures (partly) for the sake of other countries. Conversely, a country in a worse economic situation than the rest of the euro area (eg Italy) might not have the fiscal space to address its own demand-shortage problem. Overall, this renders the euro area's aggregate fiscal stance overly tight. These inherent difficulties highlight the incompleteness of the euro area's economic governance framework and underline the need for further reforms, including the establishment of a fiscal authority responsible for the management of the euro area's aggregate fiscal stance.

## Annex: IMF Article IV recommendations for the euro area

Table 2: Summary of July/August 2013 main recommendations by the IMF

|                      | Euro area  | Germany  | Netherlands   | France   | Italy   | Spain   |
|----------------------|--|--|---|--|---|---|
| <b>Fiscal policy</b> | -define and assess fiscal consolidation in structural terms<br>-even revised deadlines may be too strict for some countries<br>-credible medium-term frameworks needed to counteract slower short-term consolidation | - A projected modest loosening in 2013 is appropriate<br>- the fiscal stance is appropriate<br>- fiscal over-performance to be avoided<br>- if growth disappoints, fiscal policies need to be recalibrated | -Fiscal policies should focus on structural targets and allow automatic stabilizers to operate<br>- no further consolidation for 2013 | -2014 consolidation should be eased<br>-reorient towards expenditure containment<br>- In the medium term, tighter spending control by local authorities and improved efficiency of social spending | -rebalance adjustment to support growth favour spending cuts offset by tax decreases<br>-broaden tax base (keep property tax)<br>-combat tax evasion<br>-binding multi-year expenditure | -consolidation should continue in a gradual and growth-friendly fashion |

|  |  |   |   |   |  |  |
|--|--|---|---|---|--|--|
|  |  |   |   |   | ceilings<br>-independent<br>budget office  |  |
| <b>Demand management</b>                   | -Stronger ECB policies (forward guidance, rate cuts, lower haircuts, new LTROs, asset purchases)<br>-do not react to further negative surprises by tighter fiscal policy<br>- reducing general euro area uncertainty would catalyse investment | -see above<br>- financial reform should promote domestic investment   | (see above)   | - Undertake a growth friendly tax reform to support the consolidation   | - accelerate payment of government arrears<br>-increase public investment  | -nominal (and possibly even structural) targets should be flexible if growth disappoints   |
| <b>Labour market</b>                       | -tackle labour market dualism<br>-foster migration   | -lower the tax wedge, in particular for the low skilled<br>-improve quality and availability of early childhood education<br>-review the family policy to improve its efficiency  | -reduce duality<br>-limit unemployment benefits to two years<br>-pension reform               | -tackle cost of labour<br>-reduce bite of minimum wage<br>- reduce inactivity traps for young and low-skilled workers<br>-better job search | -raise low employment, especially among the young and women<br>-reduce duality<br>-lower taxes on second earners<br>-encourage firm level flexibility  | -increase firms' flexibility<br>-reduce duality<br>-enhance opportunities for unemployed<br>-social agreement combining employment promises, wage moderation and fiscal incentives |
| <b>Product market/business environment</b> | -promote single market (e.g. via services directive)<br>-promote new FTAs<br>-flexibility at the firm level<br>-lower barriers to entry and exit   | -remove disincentives to invest in higher risk, higher growth sectors.<br>-promote widespread use of ICT<br>-accelerate the integration of pan-European transportation and energy networks and increase competition in network industries | -distortions in housing market need to be eliminated<br>-support basic research and education | -liberalize product market, in particular services  | - reduce high entry barriers and regulations (particularly in services)<br>-reduce high cost of energy<br>-enact privatization agenda<br>-legal reform | -enact proposed reforms to remove regulation that fragments markets, promote entrepreneurship and professional services  |
| <b>Financial system</b>                    | -support credit provision to SMEs (ECB, EIB, EC)<br>-asset quality review followed by recapitalization<br>-agree on a common   | -continue reforms<br>-raise capital levels  | - recapitalisation and reduced reliance on wholesale funding necessary                        | - tax incentives on financial products should be better aligned with bank regulatory objectives   | -increase tax deductibility of loan losses<br>-ensure adequate capital and liquidity buffers<br>-enhance   | -increase capital<br>-clean up loan books<br>-remove credit supply constraints   |

|                                   |  |   |           |   |   |  |
|-----------------------------------|--|---|-----------|---|---|--|
|                                   | backstop (ESM?)<br>-finalize SSM<br>-introduce SRM<br>-clarify bail-in rules   |   |           |   | corporate governance<br>-support SME financing                                      |  |
| <b>Intra-euro area adjustment</b> | - the adjustment so far has been somewhat asymmetric<br>-Further adjustments in relative prices and sizeable real exchange rate depreciations (5-15 percent) necessary for some peripheral countries<br>- surplus countries need to increase productivity in non-tradables to increase consumption; investment would increase if euro-area uncertainty is reduced<br>- deficit countries need to continue the reallocation of resources to the tradable sector (lower costs, implement structural reforms, repair banks) | -increase labour share of national income | (nothing) | -tackle labour costs<br>-risk of falling behind Southern crises that are experiencing large competitiveness gains |   | -so far, little devaluation relative to euro area, which would be helpful to improve competitiveness |
| <b>Private debt</b>               | -resolve bad private sector debt<br>-use insolvency procedures more boldly   |   | (nothing) | (nothing)   | -accelerate write-off of bad loans<br>-expedite the judicial process of write-downs | -reform insolvency regime to incentivize write-offs and corporate balance sheet clean-up             |

Source: authors' elaboration based on official documents.

Note: the Dutch document is from March 2013; all other documents are from July/August 2013.

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# Is debt deflation a risk? The trade-off between fiscal and competitiveness adjustments

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Briefing submitted in advance of the Economic Dialogue with  
the President of the Eurogroup in ECON  
on 5 September 2013

## Abstract

Most of the country-specific recommendations (CSRs) of 2012 and 2013 concentrated on the need to reduce budget deficits and to increase competitiveness. This was particularly the case for the euro area periphery. These two policy goals remain appropriate, but the CSRs failed to recognise the trade-off between them, especially concerning countries that have accumulated large external imbalances and now require a significant adjustment in wages and prices. Internal devaluation will improve competitiveness, but lowering nominal GDP growth will also worsen the debt-to-GDP ratio.

Moreover, fiscal adjustment, coupled with falling prices, will weaken the domestic corporate sector and in particular SMEs, which are prevalent in this part of the economy. There is thus a contradiction between these recommendations and the aim of protecting the SME sector from financing difficulties.

The CSRs on structural reforms are often so vague that they have become of limited meaning. They are ignored by strong countries and result in activism in weak countries without tangible results.

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## Introduction

The European Semester cycle closes in early July with the endorsement of the country-specific recommendations (CSRs) by the European Council. Member State governments are then expected to implement such recommendations into budgetary decisions, structural reforms and employment policies. The recommendations are formulated on the basis of specific challenges previously identified by the Commission in the framework of the annual growth survey (budget and structural challenges) as well as within the macroeconomic imbalances procedure and after hearings of the European Parliament.

Two stages are therefore crucial in this process: first, the identification of main challenges within the framework of the EU policy instruments, which include fiscal issues (falling under the spectrum of activity of the 'traditional' SGP), macroeconomic imbalances (falling under the new excessive imbalance procedure, EIP) and major overarching economic objectives, including growth and financial stability. Second, the identification of the challenges has then to result in policy recommendations.

There are sets of formal CSRs for each Member State (except the four programme countries Cyprus, Greece, Ireland and Portugal) and for the euro area as a whole, each of which covers a whole array of fiscal and structural measures. The summary document on the implementation furnished by the European Parliament<sup>1</sup> runs to about 50 pages in a schematic format. Any detailed analysis of the CSRs would thus easily run to hundreds of pages.

Hence, this short briefing paper cannot provide a detailed analysis of the CSRs and their implementation, and even less so for each country. Instead, it will concentrate on one core policy challenge, which in our view is not properly recognised in the CSRs. We will also use two examples to illustrate that judging the implementation of broader based recommendations remains highly subjective.

Our key argument reads as follows. First, the external adjustment in the euro area periphery is almost complete as their current accounts are now close to balance and turning into surpluses in some cases. This leaves the fiscal correction, both in terms of flows (deficits) and in terms of stock (i.e. excessive debt ratios), as the most important and difficult challenge.

Secondly, it is widely recognised that over the medium run, restoring competitiveness is a key requirement for ensuring that external debt can be serviced and growth can resume without large external imbalances reappearing. Structural reforms might help to increase productivity, but this will take time. It is thus certain that a significant internal devaluation will be unavoidable in several countries (some countries have already achieved part of this).

What is not recognised in the CSR is that the internal devaluation makes the achievement of the debt reduction target much more difficult. Indeed, a key limit of the CSRs is that they fail to acknowledge the trade-off between debt reduction and increasing competitiveness.

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<sup>1</sup> See TABLE 1 on Country Specific Recommendations (CSRs) under the European Semester Cycles 2011, 2012 and 2013. European Parliament:  
<http://www.europarl.europa.eu/committees/en/econ/publications.html?id=ECON00012#menuzone>



When it comes to structural issues, there is little doubt that financial stability is the key structural challenge for the monetary union as whole and only a true banking union can fully address it. However, this challenge falls outside the field of action of the European Semester. Country recommendations can address financial stability challenges related to country-specific problems but would fail to tackle the one at the level of the system.<sup>2</sup>

The rest of this paper is organised as follows. The next section provides some indication of the fiscal challenges and competitiveness divergences and shows how the need to restore competitiveness conflicts with the fiscal challenge and alters the debt-to-GDP ratio. The last part of this section makes a similar point by looking at debt sustainability in terms of flow variables for both the government and the private sector, with special emphasis on SMEs.

Section 3 moves away from fiscal issues and focuses on reforms. It challenges the way implementation is pursued by countries and provides two examples of the reaction of Germany and Italy to recommendations relating to structural policies. The last section concludes.

## **1. Which challenges?**

The country-specific recommendations identify a list of policy recommendations in numerous areas, which include government spending, taxation, sovereign debt, labour market, services market, banking sector, energy market, education and the business environment at large. With the specific recommendations issued in 2013 almost each country of the euro area is being asked to monitor risks, introduce corrective policy measures or provide incentives for the purpose of the good functioning of domestic systems and markets (segments) in each of the areas listed above.

This is the consequence of both the crisis and the attempt to make sure that a coherent system of surveillance is applied to all countries and that the policy stance is consistent across the area.

However, the challenges are uneven, both in economic terms and required policy responses, given that the crisis has hit in a heterogeneous fashion and structural conditions of Member States differ a lot across the Union. Furthermore, from a system perspective, in some cases, country-specific challenges are more relevant than others as the incapacity to face such challenges could have spill-over effects beyond national borders.

For the purpose of this paper we will focus on one challenge that is particularly relevant for peripheral euro area countries; a challenge that is created by trying to restore both external and fiscal balance simultaneously.

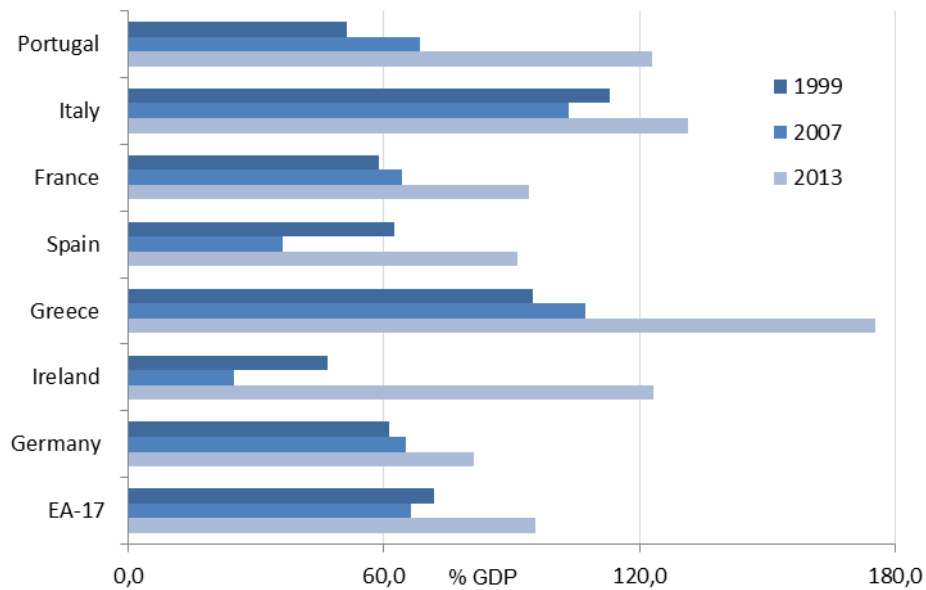
### **1.1 Short-term challenge: Fiscal adjustment**

Although the fiscal policy stance became restrictive in almost all euro area countries and some implemented drastic public spending cuts after the implementation of the European Recovery Plan at the end of 2008, their budgetary position still remains negative and progress in terms of debt reduction is not yet visible anywhere. The debt-to-GDP ratio remains high on average and in many countries it is not yet under control.

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<sup>2</sup> In principle the euro area wide recommendations could play a role in this respect and address the issue of financial stability. However, national diverges within the Council around the issue of the Banking Union and the opposition of large countries to certain elements of it make such a kind of recommendation unlikely .

**Figure 1. Government debt as % of GDP: Sovereign debt ratios not yet under control.**



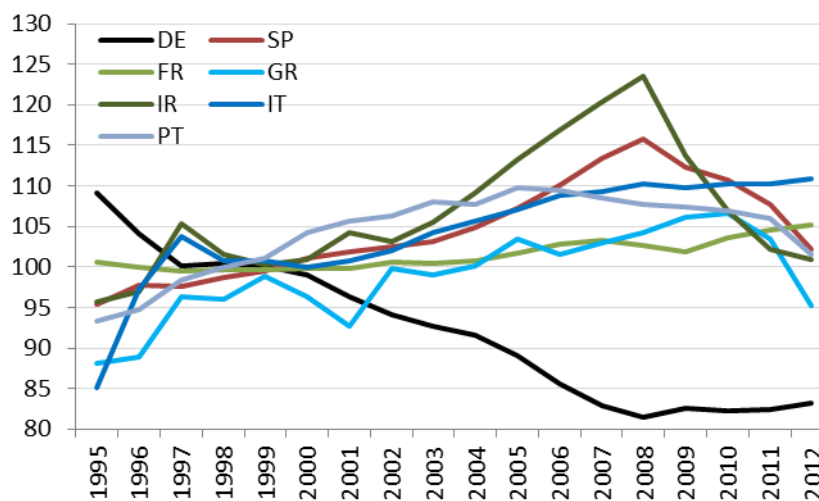
Source: European Commission services (AMECO).

This situation makes fiscal adjustment the main short-term challenge for several countries, in particular for those who have been hit most severely by the crisis. In those countries the fundamental issue is how to make sure that debt can be serviced, given that the debt is very high relative to GDP and the growth rate, current and expected, remains low. Higher growth rates of (nominal) GDP would of course help to reduce the debt/GDP ratios, but in some countries there is little prospect of this happening.

### 1.2 Long-term challenge: Restore competitiveness

There is no need to review, at length, the divergences in competitiveness that have arisen within the euro area over the last decade. Figure 2 below provides a standard illustration for this.

**Figure 2. ECB competitiveness indicator, unit labour cost, index, 1999Q1=100**



Source: ECB Statistical Warehouse.

The figure displays the large gap in unit labour costs that arose between Germany and other euro area countries up to 2008, but also how this trend is now reverting and some convergence is materialising, notably in Ireland, Spain and Greece. Several countries still have a long way to close the gap with Germany, however. This suggests that for some time yet prices will have to fall or productivity would need to increase in the euro area periphery relative to Germany.

### 1.3 Is debt deflation a risk?

According to what we argued in the two previous sub-sections, countries in the euro area periphery are struggling to achieve two goals, which should be pursued simultaneously: they have to engage in austerity to reduce fiscal deficits and, at the same time, regain competitiveness. Restoring competitiveness, in a monetary union, requires an internal devaluation. This means that domestic prices and wages in countries such as Greece, Portugal and Spain have to be reduced close to German levels, although not necessarily on a par with the German levels. Such fall in domestic prices will inevitably have a negative impact on nominal GDP, which at best will stagnate, maybe even fall. This lack of growth in nominal GDP in turn makes debt service more difficult.

In this section we propose a measure of the effect of the necessary price realignment on debt. For this purpose, we concentrate on the GDP deflator and not on unit labour costs because government revenues are usually proportional to (nominal) GDP, and do not depend directly on the evolution of labour costs.

The phenomenon whereby lower GDP growth makes debt service more difficult is often referred to as 'debt deflation', a concept introduced by the economist Irving Fisher<sup>3</sup> in the 1930s. At that time he identified a self-reinforcing feedback loop that was operating between falling prices and the economy. Falling prices made it more difficult for debtors to service their debt, but debt servicing difficulties in turn meant weaker demand, which then led to more deflation. In fact Fisher's argument goes beyond this evidence and emphasises the role played by the tight link between the credit cycle and the real economy, both during boom and bust (which in extreme cases can lead to depression). His argument starts from the observation that in a situation of over-indebtedness, deflation raises the real interest rate and the debt burden and induces distressed selling; this potentially increases bankruptcies and lowers profits. This then feeds back into the real economy as lower demand and output, which leads to lower prices. This sequence is quite comparable to the situation of the US in the late 1920s and the depression of the 1930s is an extreme example of debt deflation. Indeed, by 1933, prices had fallen by close to 40% relative to the level of 1929 and nominal GDP went down to about half of its level in 1929.

The situation in the euro area today is very different from back then, prices are still increasing and nominal GDP is also increasing in most Member States, albeit at low rates. Nevertheless, a milder form of debt deflation is operating in some countries where a large adjustment in relative prices is required and not yet completed. This difficulty has not been recognised in the country-specific recommendations addressed to any of the Member States.

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<sup>3</sup> See Fisher (1933).

Debt deflation can be looked at both from a stock and flow perspective. From the point of view of the stocks, debt sustainability is usually assessed on the basis of the debt-to-GDP ratio. This static approach neglects the ability to generate economic growth, which depends on the competitiveness of a country. Competitiveness is a relative concept which is particularly relevant within a monetary union. In order to measure the sustainability of the sovereign debt of a country accounting for its competitiveness, one should not look merely at nominal debt stock divided by GDP evaluated at today's prices, but at debt relative to GDP evaluated at the price level that would make the country competitive, and hence able to repay the debt.

This stock aspect of the debt deflation can be operationalised by simply evaluating today's GDP with the GDP deflator that would make the country competitive again, i.e. under the hypothesis that prices have realigned to the competitiveness level of the other Member States.<sup>4</sup>

Figure 3 below shows the evolution of the GDP deflator and the average for the euro area countries, between 1999 and 2012, and suggests that all peripheral countries under financial stress and with highest debt today have experienced the largest increase in the indicator. Ireland is an exception since the country already experienced a swift adjustment in prices that absorbed the increases accumulated during the booming years until 2007.

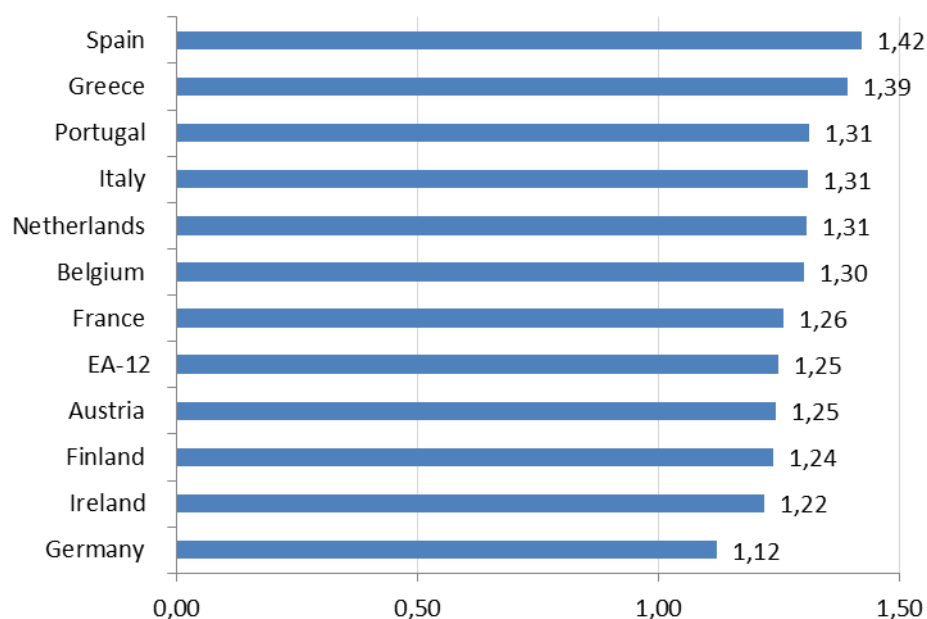
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<sup>4</sup> This can be expressed as follows:

$$\left(\frac{D_t}{Y_t}\right)_i^a \equiv \frac{D_t}{P^* \bar{Y}} \cdot \frac{P_t Y_t}{P_t Y_t} = \frac{D_t}{P \bar{Y}} \cdot \frac{P_t}{P^*} = \frac{D_t}{Y_t} \cdot \frac{P_t}{P^*}$$

The formula above simply says that the competitiveness- adjusted debt-to-GDP ratio of a country  $i$ ,  $\left(\frac{D_t}{Y_t}\right)_i^a$ , is given by its standard debt-to-GDP ratio,  $\frac{D_t}{Y_t}$ , corrected for the competitiveness of the country relative to the euro area,  $\frac{P_t}{P^*}$ . In practice, the benchmark for evaluating the loss/gain of competitiveness of a euro area country relative to the other Member States is the ratio of their GDP deflator today compared to that at the start of EMU, i.e. in 1999. This starting point also seems appropriate in light of the fact that at that time Germany was running a (small) current account deficit and most of the euro area periphery had small deficits or actually surpluses (Italy).

**Figure 3. GDP deflator, change between 1999 and 2012 (price index, 1999Q1=100)**



Source: European Commission services (AMECO), Price deflator GDP at market prices.

Note: 1999 is assumed to be the base year.

Our key argument reads as follows: assuming that all deviations from 1999 have to be corrected one can calculate the price adjustment needed for each country, relative to the euro area average. The second row in Table 2 shows that, for example, the GDP deflator of Italy would have to fall by 5% (relative to the euro area average), whereas that of Germany should increase by 10% to be in line with the average. These values can be used to calculate a 'competiveness adjusted' debt-to-GDP ratio. The result of this thought experiment is contained in the last row of Table 1, which shows the 'competiveness adjusted' debt ratio.

**Table 1. Competitive-adjusted debt-to-GDP ratios (reference year 1999)**

|                                 | Belgium | Germany | Ireland | Greece | Spain | France | Italy | Netherlands | Austria | Portugal | Finland | EA-12 |
|---------------------------------|---------|---------|---------|--------|-------|--------|-------|-------------|---------|----------|---------|-------|
| Debt-to-GDP                     | 100     | 82      | 118     | 157    | 84    | 90     | 127   | 71          | 73      | 124      | 53      | 98    |
| Adjustment factor               | 1.04    | 0.90    | 0.98    | 1.11   | 1.14  | 1.01   | 1.05  | 1.05        | 1.00    | 1.05     | 0.99    | 1.00  |
| Adjusted debt ratio relative EA | 104     | 73      | 115     | 174    | 96    | 91     | 133   | 75          | 73      | 130      | 53      | 101   |

Source: own calculation based on European Commission services (AMECO).

This implies that the debt ratio in Italy, as well as in Spain, Greece and other countries is in reality even higher than officially measured; whereas that of Germany is lower than the official value. The difference between the standard measure and the 'competiveness adjusted' debt ratios represents the impact of (relative) debt deflation. The table suggests that Germany is now enjoying 'debt inflation'. It is clear that for some countries, notably Italy and even more so

Greece, where the level of debt is already very high debt deflation is important as it makes the achievement of lower debt/GDP ratios even more difficult.

This approach suggests that (relative) debt deflation is an important phenomenon, but mainly for the two countries with the highest level of debt ratio. The situation should be manageable for Italy (where the competitiveness-adjusted debt ratio is 133% of GDP instead of the 127%), while for Greece both ratios ('normal' at 157% of GDP and competitiveness adjusted at 171%) seem so high to denote an unsustainable situation. Since most Greek debt is now owed to official lenders, the IMF and the ESM (which are the main creditors) will have to recognise that the more progress Greece makes in reducing its price level (and thus regain competitiveness) the higher the debt/GDP ratio will be and the more difficult it becomes for the government to service the debt.

The countries that had lost competitiveness in the past often have a debt/ratio above the average today. This implies that in most cases the changes in competitiveness work in the direction of magnifying already existing disparities: as shown in the table, Germany, which already has a relatively low debt ratio, will benefit from debt inflation. By contrast, Italy and Greece, which already have high debt ratios, will suffer from debt deflation.<sup>5</sup>

The values shown above are computed based on the reference year 1999. Other experts and analysts have taken different approaches, resulting in much larger adjustment needs. Below we show an equivalent calculation to that in Table 1 but assuming 1995 as the reference year. This is consistent with the analysis of Sinn (2013) where it is argued that 1995 should be taken as the base year because that is when the irrevocable commitment to the euro was announced. Under this hypothesis the debt deflation phenomenon becomes more extreme, leading to a competitiveness-adjusted measure of the debt-to-GDP ratio that is much more unfavourable to high-debt countries.

**Table 2. Competitiveness adjusted debt-to-GDP ratios (reference year 1995)**

|                                 | Belgium | Germany | Ireland | Greece | Spain | France | Italy | Netherlands | Austria | Portugal | Finland | EA-12 |
|---------------------------------|---------|---------|---------|--------|-------|--------|-------|-------------|---------|----------|---------|-------|
| Adjusted debt ratio relative EA | 101     | 71      | 124     | 205    | 101   | 89     | 141   | 76          | 70      | 140      | 53      | 98    |

Source: own calculation based on Sinn (2013) and European Commission services (AMECO).

Table 2 illustrates that under this extreme view about the need for the competitiveness adjustment, the divergence in debt ratios is even greater. The adjusted ratio for Greece would go above 200% of GDP and others, such as that of Portugal, would also deteriorate considerably. By contrast, the advantage of Germany is magnified given the much higher estimate of the relative need for inflation in Germany (according to Sinn, 2013).

However, a return to the relative price levels at the start of EMU, 1999, should be enough to re-establish current account equilibrium at full employment in the long run. This means that the approach based on 1995 over estimates the real need for adjustment.

<sup>5</sup> In statistical terms this can be seen in the standard deviation in the debt ratios: while this is 30 for the 'normal' debt-to-GDP ratios and 35 for the adjusted ratios.

Finally, it is important to emphasise that as long as there is no deflation on average in the euro area, debt deflation remains only a relative concept within the euro area. Moreover, the debt deflation required from some countries in the future represents a reversal of the (relative) debt inflation they have enjoyed in the past. This is little consolation for policy-makers today.

In the next section, we will address the debt deflation issue from a flow perspective, by comparing interest rates to nominal growth rates.

#### 1.4 Can debt be serviced in Europe?

Debt deflation can also be measured by the 'real' interest rate burden, or rather the difference between the interest rates (the rate at which debt grows if there is no repayment of principal) and the growth rate of the revenues of the borrower. But the revenues of most economic agents grow in line with nominal GDP. This is the case for the government (unless it changes tax laws) and also, on average, for the private sector.

It is thus clear that the recession that resulted (partially) from the need to rein in deficits made it more difficult to service debt in the euro area.<sup>6</sup> The difference between the growth rate of nominal GDP and the interest rate has taken a turn for the worst since the start of the crisis in the countries under financial pressure. Table 3 below shows the difference between the growth rate of (nominal) GDP and the (nominal) interest rate actually paid by governments while Table 4 displays the same differential for non-financial corporations.

Table 3 illustrates how even before the crisis began the difference was negative for the euro area average, indicating that interest payments were accumulating at a faster pace than the capacity to service the debt out of income (this implies that 'Ponzi units' i.e. actors who depend on additional credit to pay debt service<sup>7</sup> would already have had a difficult life). After the crisis the difference worsened by about one full percentage point (to minus 2.1%).

One first implication is that, under these circumstances, throughout the euro area it has become even more difficult to fulfil the debt reduction target recently introduced (1/20<sup>th</sup> of the excess of the debt ratio above 60% of GDP).

**Table 3. Interest rate-growth rate differential (government debt), selected countries**

|    | Boom<br>(until 2008) | Bust<br>(since 2008) | Change |
|----|----------------------|----------------------|--------|
| EA | -1.1                 | -2.1                 | -1.1   |
| DE | -2.7                 | -1.2                 | 1.5    |
| ES | 2.0                  | -3.3                 | -5.4   |
| IT | -1.4                 | -3.7                 | -2.3   |

Source: own calculations based on Eurostat data.

Note: interest rate refers to 10-year government bonds

Table 4 displays the same variable (difference interest rate – growth of nominal GDP), but this time for the corporate sector, using the interest paid on medium-term loans to non-financial corporations. The table shows that the area average deteriorated by over two full percentage points during the crisis. This implies that the corporate sector must be under considerable stress.

<sup>6</sup> The UK is somewhat different given that nominal income has held up better due to higher inflation.

<sup>7</sup> See Minsky, 2008.

**Table 4. Interest growth rate differential for the non-financial sector, selected countries**

|    | Boom<br>(until 2008) | Bust<br>(since 2008) | Change |
|----|----------------------|----------------------|--------|
| EA | -0.3                 | -2.7                 | -2.4   |
| DE | -2.1                 | -2.1                 | 0.0    |
| ES | 3.6                  | -3.9                 | -7.5   |
| IT | -0.7                 | -3.6                 | -2.8   |

Source: own calculations based on ECB Statistical Data Warehouse.

Note: The interest rate used is the one applied on new business (not averages on past loans) of medium-term loans (over 1 year and up to 5 years) to all non-financial corporations.

The debt service capacity of non-financial corporations confirms the broad picture of a generalised boom for the periphery followed by a bust: for the euro area average the interest rate – growth rate differential was actually close to zero during the boom, but worsens after the crisis. When looking at the situation of individual countries again, one finds a stark difference between Germany (no change) and countries like Italy and Spain, where the interest rate now exceeds the growth rate by almost 4 percentage points. The deterioration is particularly stark for Spain (over 7 percentage points) given that during the boom Spanish interest rates had been lower than the euro area average and the growth rate (of nominal GDP) had been much higher. Both elements have now turned around.

Here again, the intra-area differences are critical. And a clear conflict between competitiveness adjustment and the strength of the corporate sector emerges: to the extent that domestic prices and wages adjust downwards in the countries under stress the revenues of enterprises in the domestic sector will decline. Fiscal adjustment will of course make the fall in revenues even larger for that part of the corporate sector that mainly sells on the domestic market (this particularly applies to SMEs in the services sector). Lower revenues for these firms mean higher probability of default for them and losses for banks. This is indeed the feedback loop that Fisher observed in the 19030s in the US, on much larger scale. This implies that the CSRs should recognise that the combination of fiscal and competitiveness adjustment must lead to weakness in the banking sector and to financing difficulties for SMEs (which dominate the domestic services sector). As banks anticipate that the probability of payment difficulties will be greatest among SMEs operating in the domestic market, they will naturally increase interest rates and reduce the availability of credit to this sector.

Table 5, below shows that SMEs are particularly prevalent in the services sector and that the average firm size is particularly low in the countries under financial stress, like Italy or Spain. The average firm in the service sector of these two countries has only about 5 employees, compared to 11 in the German services sector (and over 30 in the German manufacturing sector). Given this prevalence of very small firms in the services sector (most of which depends on domestic demand) it is thus unavoidable that ‘austerity’ will lead to losses among SMEs, which in turn makes banks more reluctant to lend to them.

**Table 5. Average size of firms**

|         | Average number of persons employed per enterprise |          |
|---------|---|----------|
|         | Manufacturing                                     | Services |
| Germany | 33.1  | 11.6     |
| Spain   | 10.7  | 5.3      |
| Italy   | 9.4   | 4.6      |

Source: Eurostat

This mechanism represents just another manifestation of debt deflation, as mentioned above: there is a feedback loop between the lack of domestic demand generated both by the fiscal adjustment and the competitiveness adjustment, which has a negative impact on all firms operating in the domestic market and the strength of the domestic banking system.



Again, the same feedback mechanism should operate in reverse in Germany where ‘debt inflation’ should lead to an improvement in the debt service capacity of the German government and the German corporate sector, including its SMEs. One should keep in mind that (as illustrated in the tables above) Germany had the worst growth – interest rate differential during its slow growth period until 2005, but this improved after the crisis as interest rates fell in Germany while they increased elsewhere in the euro area.

Table 4, above, showed the interest – growth rate differential for the past. Table 6, below, tries to look into the future by assuming that interest rates remain at their present level, but nominal GDP grows along the path predicted by the IMF; a path that implies a return to competitiveness.

**Table 6. A continuing squeeze on the non financial sector?**

|    | Actual interest-growth differential (since 2008) | Status quo continues with competitiveness adjustment |
|----|--|--|
| EA | -2.7   | -0.61  |
| DE | -2.1   | -0.31  |
| ES | -3.9   | -2.33  |
| IT | -3.6   | -1.64  |

*Source:* own calculations based on ECB Statistical Data Warehouse.

*Note:* The second column contains the difference between the average GDP growth rate (nominal, based on WEO projections) from 2013-2018 and the current interest rate measured by the average interest rate, over the period January-June 2013, applied to new loans to non-financial corporations (ECB, August 2013).

This problem is crucial for future economic developments in terms of the capacity of the private sector to service its debt and banks’ ability and availability to extend credit, but it is not recognised in the CSR.

## 2. How to make policy recommendations meaningful?

In reality, the CSR contain two quite different sets of recommendations: the policy recommendations regarding fiscal policy are usually precise and contain numbered targets. However, many other policy recommendations are quite vague and effectively constitute exhortations to the government to adopt a certain general policy direction without giving any precise target to be achieved. This leaves lots of room for disagreement on what the recommendations actually mean and leads to vague suggestions that might be addressed in a superficial and artificial way by any country. Which country would not benefit from a “better coordination of different levels of government” or “a more efficient implementation of planned reforms”?

On the structural reforms front, the key is thus the (old and twofold) issue of interpretation and enforcement. This is unavoidable, given that in some areas targets cannot be quantified and it is not clear how to reach them best. We provide two, admittedly extreme, examples for this.

### 2.1 Two extreme examples: Germany and Italy

One example of how a government deals with a generic recommendation to “further stimulating competition in the services sector” is provided by the case of Germany.

Germany's national reform plan of 2013<sup>8</sup> (which is supposed to incorporate the CSRs) contains a response to the recommendations of the previous CSRs. Below we consider the parts relative to competition in the services sector:

*"70. The domestic services market harbours great potential for growth, especially in the area of services based on network infrastructure. For this reason, the Federal Government is further considering the elimination of excessive constraints. Essential and appropriate regulations that serve, for example, to safeguard a level of training, actively provide consumer protection or ensure freedom to exercise a profession independently, are to be retained."*

While this statement seems to claim the obvious: excessive constraints are to be eliminated but 'useful' regulation to be retained; implicitly it is saying that Germany has little intention of enacting reform in this sector.

*"71. The internal market for services cannot be strengthened through legal regulations alone. Improving "soft" factors is also important: such as building trust among consumers in services providers from other member states."*

Similar to the point above, this also states a truism. But the real message is that German consumers will in any case not buy services from other countries because they do not trust them.

The most interesting part of the German government's response is contained in the following paragraph:

*"72. Competition has become more intense in the services sector over the last few years.....According to the laws on chimney sweeping, regulation of fees is to be limited to the few remaining government tasks performed by authorised district chimney sweeps."*

It is interesting that in the summary evaluation of the Commission this liberalisation of chimney sweepers is judged as 'limited progress' with service sector liberalisation.

All in all it seems that the recommendation to "further stimulate competition" in the German services sector has not had much of an impact on German policy-making.<sup>9</sup>

In Italy the situation is not much better: in 2013 key recommendations contained in the CSR were:

- 1) Keep taxes on wealth: *"shift tax burden away from capital and labour to property ..."*

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<sup>8</sup> The plan presented in early 2013, refers to reforms implemented over the past year (see [http://ec.europa.eu/europe2020/pdf/nd/nrp2013\\_germany\\_en.pdf](http://ec.europa.eu/europe2020/pdf/nd/nrp2013_germany_en.pdf)).

<sup>9</sup> In defence of Germany, one needs to keep in mind that the CSR are addressed to the national government, but that in Germany services sector liberalisation would require the consent of the lower echelons of government as well.

It is unclear at the moment whether the present coalition government will fully abolish the real estate tax (IMU) introduced by the former Monti government or keep it. At the very least its degree of applicability will be reduced as one key coalition partner wants to see this tax abolished.

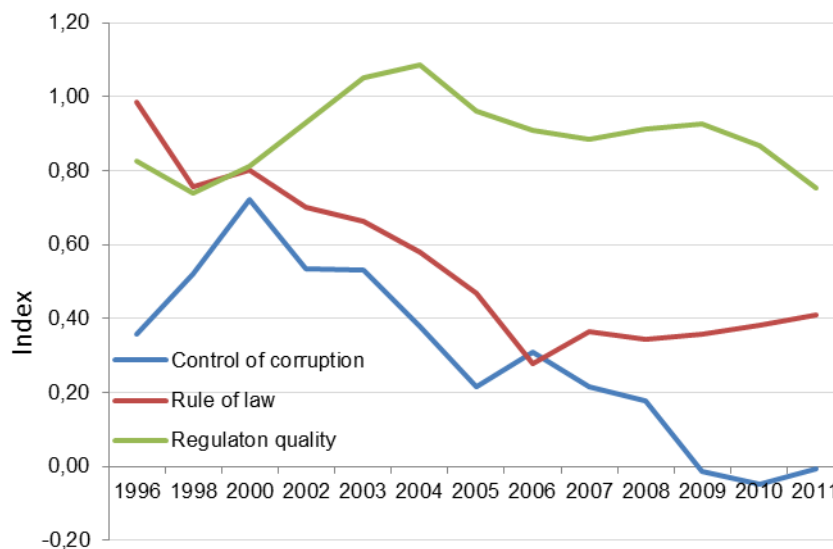
- 2) Improve governance of banks: *“Extend good corporate governance practices to whole banking sector”*.

In concrete terms what was meant was to reduce the influence of the thinly capitalised foundations that dominate the board of the major banks. It seems very unlikely that anything will be done in this direction.

- 3) Improve the judicial system: *“Reduce the duration of case handling and the high level of litigation in civil justice...Strengthen the legal framework for the repression of corruption”*:

This is an evergreen, which every government in the past has promised to address. But the results so far have had the opposite effect: the most widely followed indicators of corruption have actually deteriorated over the last decade (see also Gros (2011) on this issue). Fighting tax evasion constitutes another evergreen which all Italian governments have vowed to address – but on which little progress has been achieved.

**Figure 4. Italy: Selected Governance Indicators**



Source: World Bank, Worldwide Governance indicators,

Note: Indicators range from approximately -2.5 (weak) to 2.5 (strong) governance performance

This simple observation that corruption indicators have deteriorated in Italy despite official government efforts to the contrary raises a key issue for the parts of the CSR that aim at structural reforms: should compliance with the CSR be judged based on the actual outcome (as in the SGP) or on the efforts of the government concerned?

### 3. Conclusion

The recommendations dispensed in the context of the European Semester contain many very useful elements. We have concentrated only on two key shortcomings.

The first problem for the CSRs is that the adjustment after a credit boom is always painful and comprises difficult policy choices and contradictions between different policy goals. One such policy dilemma is the need to reduce debt ratios and at the same time lower domestic prices and wages. Some debt deflation effect is inevitable after the 'debt inflation' experienced by some countries until 2008. Hence, this is not a problem that can be 'solved' easily. We propose that one should not look only at headline debt-to-GDP ratios, but also at the value this ratio would have at the prices that would make the country competitive again.

A second shortcoming of the CSRs is that their structural parts are often too vague to allow one to judge implementation. The politically and financially strong countries tend to ignore them. The politically and financially weaker countries usually respond to recommendations on structural policies by taking many measures, but it is often difficult to say whether these measures will achieve the intended result. One important case where policy activism has gone hand in hand with deteriorating results is that of Italy, where the professed fight against corruption and administrative inefficiencies does not seem to have delivered any results over the last decade.

There have of course been also instances where the CSRs have resulted in identifiable reforms (Belgium, France?), but in many cases the process seems to have become more important than the results. Therefore, more emphasis should be put on assessing the implementation of the annual recommendations.

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# Economic reforms in the euro area: fiscal and macrostructural challenges

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the President of the Eurogroup in ECON  
on 5 September 2013

## Abstract

The euro area economic situation appears stabilized as concerns about the future of the common currency vanish. Fiscal consolidation may have been the very reason why the euro area debt crisis was overcome, but implicit debt mutualisation is a much more convincing explanation. Despite this significant improvement, euro area economies have still to recover from the crisis. 2013 Country Specific Recommendations propose a way out of the crisis, mainly based on structural reforms and the continuation of fiscal consolidation. We argue here that fiscal consolidation has been a factor explaining poor economic performance for the years 2010 to 2012 and will probably again be a negative factor for the years 2013 and 2014. Ease of the fiscal consolidation path, with a strong commitment toward long term fiscal equilibrium, is not sufficient for allowing a clear decrease in unemployment, at least for southern countries. 2013 CSRs propose some structural reforms for improving growth and reducing unemployment. Among them, labour market reforms and services sector opening is seen as a major tool for recovery. We point out that such line of reforms may be set on the wrong timing and is difficult to combine with strong fiscal consolidation. Fiscal consolidation pace should be slowed, especially for large negative output gap countries, allowing for unemployment reduction and prudent planning of structural reforms. It is also suggested that a narrative about growth and transition toward a low carbon economy could be a positive factor needed in CSRs.

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## 1. Introduction: the main challenges for the euro area in the aftermath of the financial and economic crisis of 2008

The late Friedman (he was nearly 90 when interviewed about the euro) was not a believer of the euro area economic and political construction. His prediction was that the euro as a single currency was doomed to disappear 5 to 10 years after its introduction and that the project was not likely to survive an economic downturn.

Friedman was clearly not foreseeing the kind of crisis that we have been through, and the mere fact that the euro zone is still standing after a series of crisis and panics the size and the kind we have experienced during the last 4 years, is a proof that he was wrong. However, although political will to sustain the euro currency (to pay back euro denominated debt, to keep a single central bank and to preserve free circulation of capital inside and outside the euro area) has been well demonstrated, the consequences of the crisis on both economic social developments are heavy. The trust in Europe has never been so low (according to the latest Eurobarometer, “trust in European Union” and “trust in national parliaments or governments” are at the lowest level since 2004, the main concerns being unemployment (according to 51% of EU population) and the economic situation (according to 33% of EU population).

This briefing paper recalls in the first section the economic situation of the euro area. Based on the work of a team of economists, the 2013 iAGS (independent Annual Growth Survey, see box 1); it then presents a causal explanation of this situation. The last part of the briefing paper deals with the Country Specific Recommendations (CSRs).

### *Box 1. iAGS*

The iAGS seeks to irrigate and inform the public debate on economic strategy in Europe. Sustainability of public debt, fiscal adjustment and exit strategies from the recession will be fundamental concerns in years to come. These issues are complex and cannot be addressed with off-the shelf or one-size-fits-all expertise. Instead, an open and in-depth analysis of hypotheses, empirical evidence, options and foreseeable consequences of possible policies is required.

iAGS highlights topics, topics that often go overlooked, yet are essential, such as the role of monetary policy in the policy mix, the social consequences of the crisis, the importance of public investment. The project tackles public finances, unemployment, public debt, and formulates alternative and more efficient strategies that can move the economy towards balanced economic growth while maintaining price stability and full employment and preserving social progress.

The iAGS 2013 report is available on [www.iags-project.org](http://www.iags-project.org) (Andersen et al., 2012). iAGS 2014 will be published in late November 2013.

## 2. The current situation of the eurozone

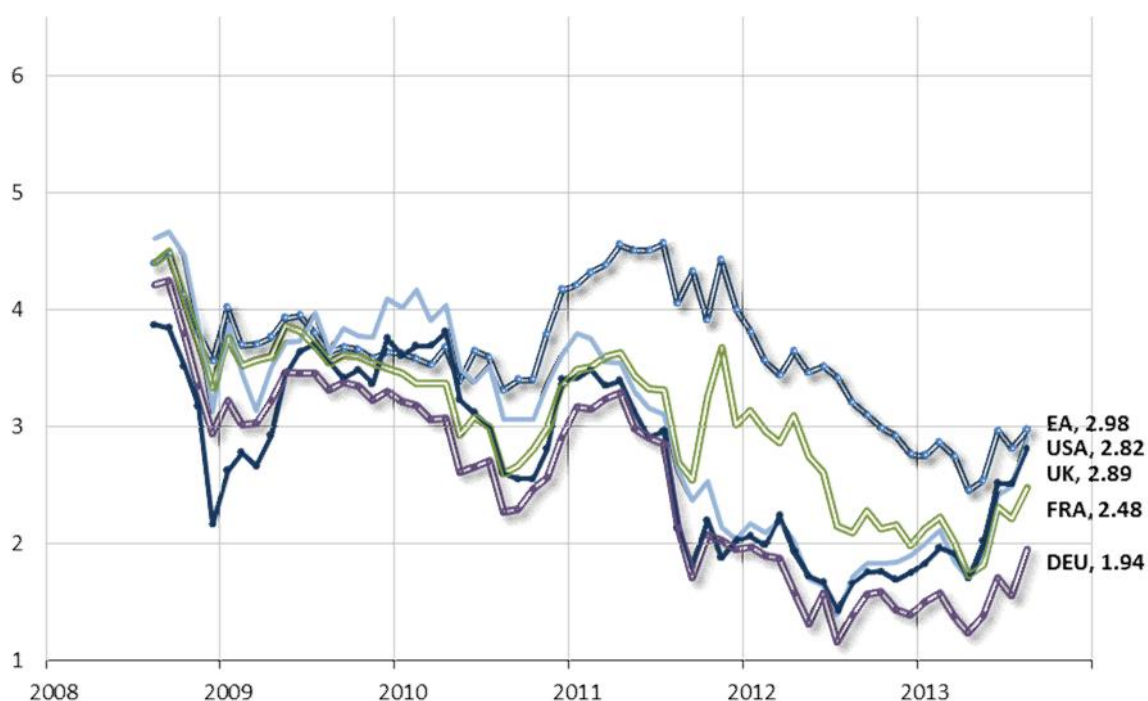
The following figures (1 to 5) summarize the situation of the Eurozone from the financial markets point of view. The Euro area average sovereign bond rate (the price at which a government can borrow), is today near the USA or UK ones, after 2 years of very large divergence (up to 200 basis points). The exchange rate trend or volatility can contribute to the spread, but the liquidity trap situation after the deepening of the crisis in 2011 has led to lower rates for “safe” sovereign bonds and an increase of rates for unsafe bonds (or at least perceived as unsafe). On average, Euro Area (EA) , bonds rates have been far superior than rates of the UK or US during the euro



area debt crisis, despite very low rates for some countries (German rates have been negative in real terms).

Inside the euro area, spreads have been very high. In July 2012, Italian and Spanish bond rates were respectively 500 and 600 basis points higher than German rates. Lately those spreads have been reduced to around 250 basis point, showing a progressive normalization of the situation even if not a return to zero spreads as experienced before the crisis. This concur to show a renewed trust in the euro. Commitment toward the continuation of euro without any exclusion of any country, including Greece, is now seen as credible. The effective exchange rate of the euro (exchange rate weighted by trade flows) has been regaining some strength in the past months and volatility of the exchange rate, an important factor for the conduct of business strategies, is low again.

Figure 1. 10 years sovereign bonds yields



Source: Eurostat, and National Central Banks, author calculations. Average rate for euro area is the average rate for each member state weighted by its debt in euro in 2010. Rates for Greece, Ireland and Portugal are non-market rates, set to 5% since resp. June 2010, November 2010, March 2011 and 3.5% since March 2011.



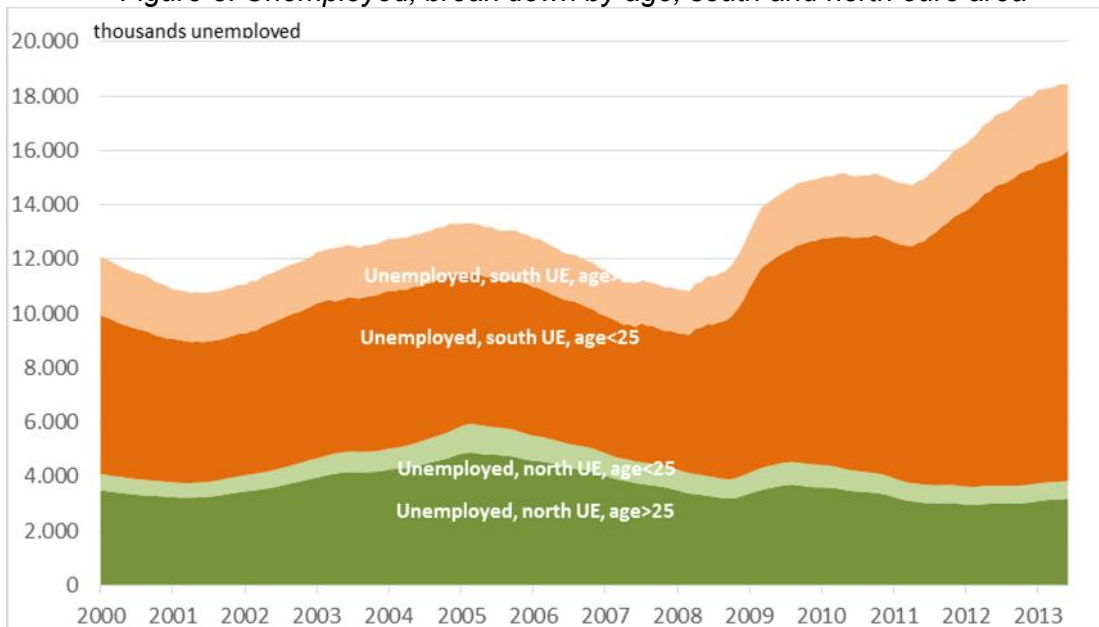
Figure 2. Euro effective exchange rate and euro-dollar volatility



Source: Nominal effective exchange rate from IMF, euro dollar exchange rate from ECB, author calculations. Volatility is a 1 year moving window standardized error.

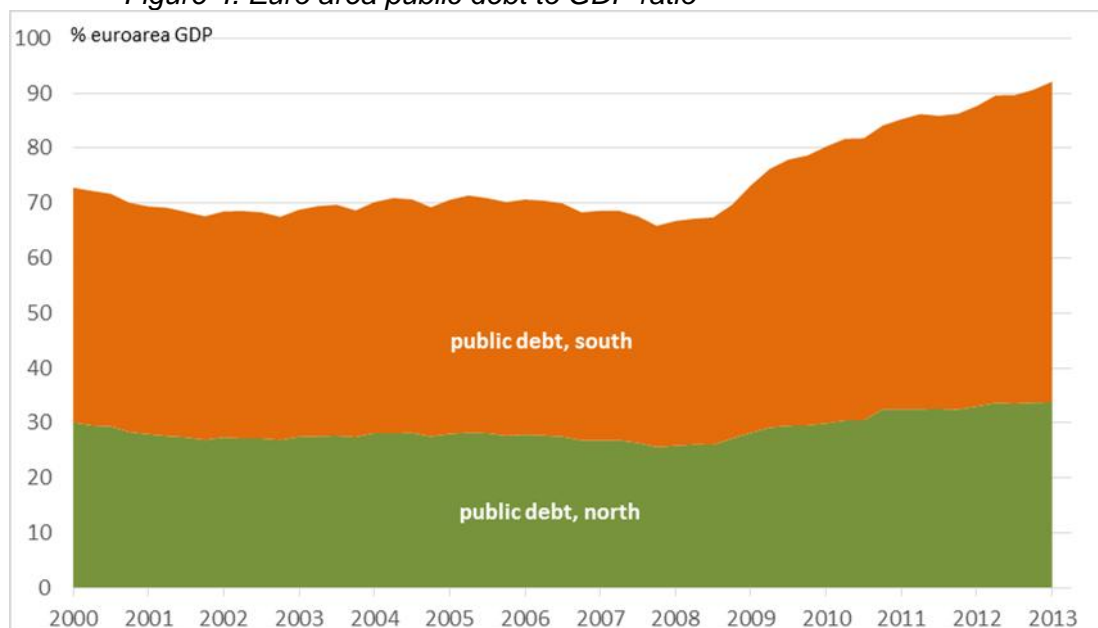
The figures below show unemployment and debt levels divided into "south" and "north" EU (see notes of figure 3 for a definition). Unemployment is, by far, the first issue of importance for people of the EU. Abnormally high levels of unemployment have strong social consequences on youth unemployment, long term unemployment, the poverty rate and social cohesion.

Figure 3. Unemployed, break down by age, south and north euro area



Source: Eurostat, quarterly labour force statistics. South is defined as France, Italy, Spain, Portugal, Greece, Slovenia, Cyprus, Malta, Slovakia. North is defined as Germany, the Netherlands, Austria, Belgium, Finland, Ireland, Luxembourg, Estonia.

Figure 4. Euro area public debt to GDP ratio



Source: Eurostat, quarterly government finance statistics. South is defined as France, Italy, Spain, Portugal, Greece, Slovenia, Cyprus, Malta, Slovakia. North is defined as Germany, the Netherlands, Austria, Belgium, Finland, Ireland, Luxembourg, Estonia

Public debt increased sharply due to the crisis. The fall in GDP induced a fall in tax and non-tax income for governments, automatic spending stabilizers and stabilization plans increased public deficits. In some countries, socialization of private debt (mainly through bank rescues) also contributed to increase public debt. Overall, the increase in the public debt to GDP ratio is more than 20% of GDP. It has reached more than 50 GDP points in Spain, Greece and Portugal. The increase of the debt-to-GDP ratio has been nearly 100% in Ireland (table 1).

Table 1. Euro area countries public debt to GDP ratio increase

|                   | FR   | SP   | ITA  | DEU  | NLD  | GRE  | PRT  | IRL  | BEL  | AUS |
|-------------------|------|------|------|------|------|------|------|------|------|-----|
| 2013Q1 MINUS 2007 | 26.5 | 50.0 | 24.5 | 14.0 | 24.9 | 53.7 | 59.3 | 99.4 | 16.4 | 8.7 |

Source: Eurostat, quarterly government finance statistics.

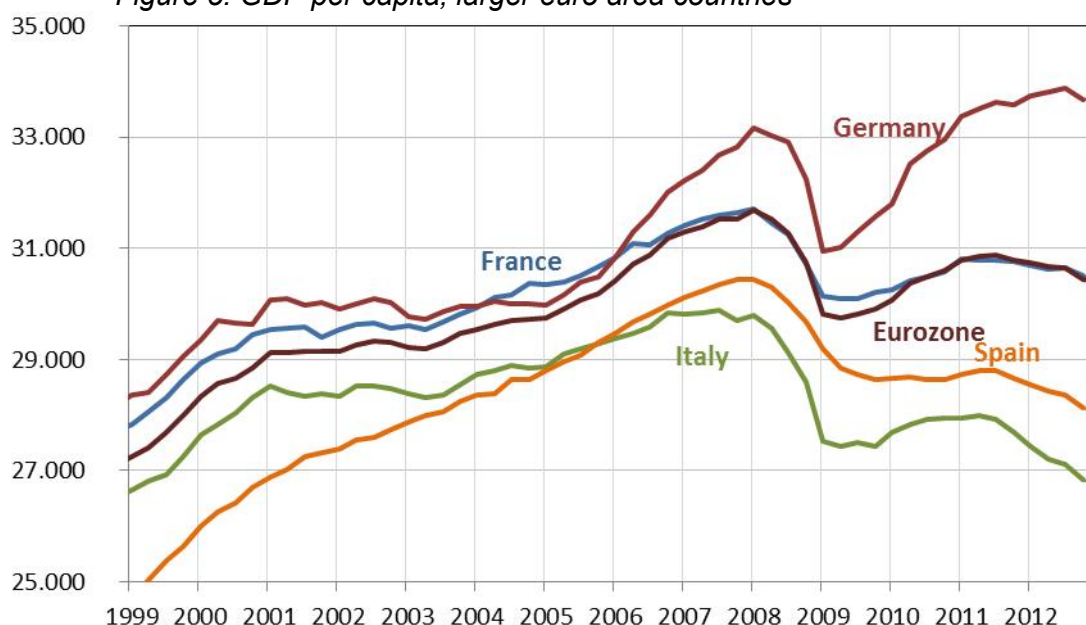
Moreover, the fall in real GDP per capita has been significant for euro citizens. The fall is spectacular for Spain and Italy. On the other hand, the recovery in Germany is nearly complete. Combining figures 1 to 5 shows a large gap between northern and southern countries. In the former, the economic and financial crisis of 2008 has led to a stagnation of GDP per head, no change in unemployment and a modest increase in public debt (slightly more than 10 percentage points of GDP). On the contrary, in southern countries, the level of activity has collapsed since 2009, with the consequence that unemployment and public debt are much larger. France is in-between South and North. The reduction in GDP per head is lower than in Italy or Spain, the increase in public debt is more controlled than in most southern countries and sovereign bond rates, as in Germany, are kept at a low level.

Figure 5 shows an interesting pattern. After the initial fall in activity per head in late 2008 early 2009, Spain and Italy experienced a second collapse of activity per head, starting in 2011. This is what has been called the euro public debt crisis and one of the symptoms was a more difficult access to financial markets, as sovereign spreads with Germany indicate. But another factor

explaining the reduction of GDP per capita is the increased structural effort to reduce public deficit. Table 2 reports structural deficit changes (see the note of table 2 for a definition).

In most countries, but specifically in southern ones, a huge effort has been undertaken in 2011 and in 2012 towards a deficit reduction. Never, since World War II consolidation plans of this size were voted and implemented. The latest approved finance laws indicate that the fiscal consolidation will go on during the year 2013. In some countries, the effort will be in the same magnitude as it was in 2011 and 2012, adding an extra year of huge consolidation. In Greece, Spain, France, Portugal, the Netherlands or Italy, voted (in 2012 or before) packages imply a structural effort that will largely go beyond 1 per cent of GDP. Income tax, VAT increases, public spending cuts, reduced social protection: every kind of measure has been triggered, leaving no room for more long-term and growth-friendly reforms to take place. Structural reforms usually don't produce positive results in the first stages of application and call for compensation of losers. For the euro area as a whole, consolidation will be lower in 2013 (1.1 % of GDP) than what has been done in 2012 (1.9% of GDP), but will exceed 1% of GDP.

Figure 5. GDP per capita, larger euro area countries



Source: volume GDP from Eurostat, population estimates from Eurostat, purchase power parity indexes for the year 2005 from World Bank. GDP per capita is GDP at constant 2005 prices, divided by ppp index, divided by population.

Stimulus packages were implemented in the first years of the economic and financial crisis and consolidation is, in a way, a reverse action after such stimulus. In a large number of euro area countries, however, cumulated 2008-2012 structural deficit variation has been negative, showing since 2008 a negative fiscal stance. In some countries, the cumulated structural deficit reduction exceeds or is near 2% of GDP and could be even more important when consolidation for 2013 is included.

For some countries (mostly northern euro area: Germany, Belgium, Finland), the cumulated fiscal stance since the beginning of the crisis is neutral. So part of the divide between the South and the North is embedded in cumulated fiscal stance.

Table 2. Structural deficit variation

| %GDP         | 2008       | 2009       | 2010        | 2011        | 2012        | 2013 (f)    | 2008-12     | 2008-13     |
|--------------|------------|------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Germany      | 0.1        | 0.6        | 1.4         | -1.4        | -1          | 0.1         | -0.3        | -0.2        |
| Austria      | -0.1       | 0.3        | 0.7         | -1.5        | -0.3        | -0.6        | -0.9        | -1.5        |
| Belgium      | 0.6        | 1.9        | -0.1        | 0           | -1.5        | -0.5        | 0.9         | 0.4         |
| Spain        | 2.4        | 2          | -1.4        | -1.5        | -3.4        | -2          | -1.9        | -3.9        |
| Finland      | -0.8       | 0.4        | 1.3         | -0.9        | 0           | -0.8        | 0           | -0.8        |
| France       | -0.6       | 2.3        | -0.6        | -1.9        | -1.3        | -1.8        | -2.1        | -3.9        |
| Greece       | 3          | 3.2        | -7.6        | -5.5        | -3.9        | -3.9        | -10.8       | -14.7       |
| Ireland      | 4.9        | 2.2        | -4.2        | -1.5        | -1.8        | -1.9        | -0.4        | -2.3        |
| Italy        | -0.5       | 0.9        | -0.6        | -0.2        | -3.1        | -1.4        | -3.5        | -4.9        |
| Netherlands  | -0.4       | 4          | -1.1        | -0.4        | -1.4        | -1.7        | 0.7         | -1          |
| Portugal     | -0.1       | 5          | -0.3        | -3.7        | -3          | -2.1        | -2.1        | -4.2        |
| <b>EA 11</b> | <b>0.2</b> | <b>1.6</b> | <b>-0.3</b> | <b>-1.3</b> | <b>-1.9</b> | <b>-1.1</b> | <b>-1.7</b> | <b>-2.8</b> |
| USA          | 3          | 3.5        | -1.1        | -1.1        | -0.9        | -1.6        | 3.4         | 1.8         |
| UK           | 1.7        | 4          | -2.2        | -3.3        | -0.9        | -1          | -0.7        | -1.7        |
| Japan        | -0.9       | 4.8        | 0.5         | 0.2         | 0.6         | 1.9         | 5.2         | 7.1         |

Source: Eurostat, National Accounts, OFCE estimates of potential growth. Structural deficit variation (aka cyclically adjusted public deficit) is the deficit variation that would have occurred, given output gap would have not varied. Elasticity of public deficit to output gap is supposed to be 0.5.

There has been a vivid debate on the link between the fiscal stance and economic activity. This debate refers on the one hand to the fiscal multiplier debate and on the other hand to the consequences of a high debt to GDP ratio and the possibility of loss of access to financial markets to roll over public debt.

On the first matter, the quotation from Blanchard and Leigh ((Blanchard & Leigh, 2013) is enlightening: “We find that, in advanced economies, stronger planned fiscal consolidation has been associated with lower growth than expected (...). A natural interpretation is that fiscal multipliers were substantially higher than implicitly assumed by forecasters. The weaker relation in more recent years may reflect in part learning by forecasters and in part smaller multipliers than in the early years of the crisis.” The intuition is that, although fiscal multipliers are close to zero in normal times (at least when one considers a large enough period of time), they are possibly non-zero in crisis time (some estimate them to be larger than 1.5). The main explanations are loss of access to financial tools for a growing number of economic agents (who cannot smooth consumption or investment), zero lower bound for interest rates (referring to the liquidity trap definition by Paul Krugman (see (Krugman, Dominquez, & Rogoff, 1998)) or expectations in a framework of multiple equilibria (see (Creel, Heyer, & Plane, 2011; Heyer, 2012) for a recent review of literature on fiscal multipliers).

The issue of market access is a difficult one. Loss of access to financial markets, as Greece, Portugal or Ireland have experienced, leaves no room for anything. As huge amounts of debt are to be rolled over, if one cannot take up new loans, then there is no other solution than to cut spending, force taxation and accept a profound recession. In that sense, a fiscal consolidation aimed at keeping access to financial markets is a way to avoid a deep crisis and, when defined in relation with this counterfactual, one can say that the fiscal multiplier is largely *negative*. In that sense, fiscal consolidation undertaken in 2011 and 2012 and prolonged in 2013 is a way to insure that financial markets are confident enough to continue lending to heavily indebted states and has been a success so far, because trust is back in financial market as was stated earlier in this briefing paper.

But, this analysis relies on a very specific counterfactual. Mutualisation of public debt is an answer to loss of access to financial markets by some countries. It is highly unlikely that all countries lose access to financial markets, because savings, denominated in euro, are in need of securities to be invested in. However, inside Euro savings can flow to any euro area country. If savers or investors don't want to hold Greek bonds, then the financial system (and probably the central banks) has to compensate for that and finance Greek government or the Greek banking system.

In a situation of liquidity trap, flight to security (the premium one is ready to accept in exchange for absolute security) directs the flow of savings on safe bonds. A way to make public bonds safe is the central bank guarantee on such public bonds. Up to September 2012, the euro area was a very peculiar institutional framework because investors (holding euros and wanting euro denominated assets) were in position to make arbitrage between different bonds of euro denominated public debt. They could choose to hold either German bonds or Greek bonds. This led to a beauty contest between public bonds which was not far from causing the end of the euro. One of the consequences was higher borrowing costs for Spain or Italy, imposing market discipline in the hard way on those countries, and lower borrowing costs for Germany, France or Austria. Virtue was granted that way, but euro continuation was (and still is) a cost to some countries while it brings interest payments reduction in others. It may seem natural that market mechanisms are used to allocate funds between more or less risky assets, even when those assets are public bonds. The euro debt crisis has shown that that kind of mechanism could lead to the collapse of a country, as illustrated by Greece. Another risk is the incentive to silently go out of the euro area, by restraining the free movement of savings. As a matter of fact, that solution was implemented during the Cyprus crisis, forbidding internal savings to leave the Cyprian banking system. That kind of scenario is plausible for countries like Spain or Italy and is a threat to the continuation of the euro, as it would conflict with the principle of free movement of capital inside the monetary union.

Public debt in the USA or in UK is not subject to such arbitrage possibilities and appears as the safest asset available on the market. Germany was thus able to enjoy lower rates than USA, up to 50 bp. Moreover, even when US public debt is considered as more risky (US sovereign credit rating was downgraded in August 2011), the price on the debt can decrease. The reason is that it is relatively to other assets less risky when the economic situation is worsening.

When there are no more possibilities of arbitrage between euro denominated public bonds, then, the probability of market access loss is radically different and fiscal multipliers follow the course indicated in the first point.

Table 3 displays simulation conducted with the model (see [Model for euro area medium term projections](#)) developed for the iAGS report (see <http://www.iags-project.org> for more information and (Andersen et al., 2012)). The present fiscal path is evaluated based on projected fiscal consolidation and based on an evaluation of fiscal multipliers that are high when unemployment is high and are zero when unemployment is at the equilibrium level. For the years to come, fiscal multipliers are supposed to be high because the rate of unemployment is high in 2012 and will not decrease rapidly (the speed of reduction is linked to rate of growth of GDP). More details are available in [\(Cochard & Schweisguth, 2013\)](#). The alternative fiscal path is built on a neutral fiscal stance in most countries, except the ones with a very large deficit (mainly Spain, Greece and Portugal). In those countries a mild fiscal consolidation is conducted up to 2017. The simulation is based on a non increase of sovereign interest rate. In fact, the hypothesis is one of

a “normalization” of interest rates, that is to say a reduction in the spread and a global increase toward a real rate of 2%.

*Table 3. alternative fiscal stance for the euro area 2013-2017*

| PRESENT FISCAL PATH     | 2012       | 2013      | 2014           | 2015  | 2016              | 2017  | DEBT PEAK |
|-------------------------|------------|-----------|----------------|-------|-------------------|-------|-----------|
| GVT BALANCE             | -3,7%      | -3,4%     | -2,9%          | -2,0% | -1,5%             | -0,9% |           |
| GVT DEBT TO GDP         | 93,3%      | 95,7%     | 96,1%          | 95,9% | 95,1%             | 93,7% | 2014      |
| FISCAL STANCE           | -          | -0,7%     | -0,5%          | -0,5% | -0,4%             | -0,4% |           |
| ALTERNATIVE FISCAL PATH | 2012       | 2013      | 2014           | 2015  | 2016              | 2017  | debt peak |
| GVT BALANCE             | -3,7%      | -3,4%     | -3,0%          | -2,2% | -1,7%             | -1,3% |           |
| GVT DEBT TO GDP         | 93,3%      | 95,7%     | 96,0%          | 95,5% | 94,5%             | 93,3% | 2014      |
| FISCAL STANCE           | -          | -0,9%     | -0,2%          | -0,2% | -0,2%             | -0,2% |           |
|                         | GDP GROWTH |           | INFLATION RATE |       | UNEMPLOYMENT RATE |       |           |
|                         | 2013-2017  | 2013-2017 | 2012           | 2013  | 2014              | 2017  |           |
| PRESENT FISCAL PATH     | 1,0%       | 1,3%      | 11,4%          | 12,3% | 12,1%             | 11,7% |           |
| ALTERNATIVE FISCAL PATH | 1,3%       | 1,4%      | 11,4%          | 12,4% | 12,0%             | 10,8% |           |

*Source: iAGS model simulations, Cochard and Schweisguth 2013.*

The simulations show that when fiscal multipliers are high, the implicit cost in term of unemployment of a small reduction in public deficit is high. For a reduction of a public deficit from 1.3% to 0.9% in 2017 and of a public debt by 0.4% of GDP, one needs to accept a 1 percentage point increase in the euro area unemployment rate. In some countries the difference in unemployment rate between the two scenarios can be huge (2 points for France, see [Cochard and Schweisguth \(2013\)](#)).

### 3. Assessment of the 2013 CSRs

The European Council adopted in July 2013 Country Specific Recommendations (CSRs) which are supposed to address the macro economic challenges at stake. This section is devoted to comment those CSRs and to provide with an opinion about their adequacy to the current euro area situation. The comment will focus on the largest countries (Germany, France, Italy, Spain and the Netherlands) and will neglect countries under an Economic Adjustment Program (Greece, Portugal, Ireland and Cyprus). Even if the 2013 CSRs deal with more structural issues and attempt to broaden the scope of economic policies, fiscal consolidation appears to me as a central point, so the first subsection develops this analysis. The second subsection will deal with the banking union and financial stability. The third subsection quickly addresses the social consequences of the crisis and the fourth subsection is about deflation risks. The last subsection concludes on more political questions.

#### *Fiscal consolidation*

The analysis presented in the first part of this briefing insists on the impact of fiscal policy on economic activity. Some observers have mentioned that underestimating fiscal multipliers may have led to engage to quick (front loaded) consolidation paths after the first stage of the economic crisis was over. Moreover, as was mentioned earlier, setting targets of public deficit in terms of actual deficits and not structural efforts was even amplifying the front loading of



consolidation, deepening the crisis and fostering doubt about the sustainability of public debt for largely indebted countries.

The 2013 CSRs are falling into the same trap, even though a reference is made systematically to Medium Term Objectives (MTO), which set an objective as a structural deficit (a balance between +1 and -1 for cyclically adjusted deficit). The following table recalls for the main countries what are the 2013 CSRs:

Table 4. CSRs for deficits and medium terms objectives

|                            | EDP<br>EXIT | MTO  | PUBLIC DEFICIT |      |      | CYCLICALLY<br>DEFICIT |      | ADJUSTED |
|----------------------------|-------------|------|----------------|------|------|-----------------------|------|----------|
|                            |             |      | 2012           | 2013 | 2014 | 2012                  | 2013 | 2014     |
| <b>GERMANY</b>             | .           | .    | 0.2            | -0.2 | 0    | -1.2                  | 0.2  | 0.4      |
| <b>FRANCE</b>              | 2015        | 2016 | -4.8           | -3.9 | -4.2 | -4.5                  | -3.5 | -2.1     |
| <b>ITALY</b>               | 2013        | 2014 | -3             | -2.9 | -2.5 | -2.9                  | -1.3 | -0.7     |
| <b>SPAIN</b>               | 2016        | 2018 | -10.6          | -6.5 | -7   | -7.5                  | -8.4 | -4.3     |
| <b>THE<br/>NETHERLANDS</b> | 2014        | 2015 | -4.1           | -3.6 | -3.6 | -3.7                  | -2.6 | -1.8     |
| <b>BELGIUM</b>             | 2013        | 2016 | -3.9           | -2.9 | -3.1 | -3.7                  | -3.4 | -1.9     |

Source: 2013 CSRs, European Commission evaluations of cyclically adjusted deficit, spring 2013, retrieved on [http://ec.europa.eu/economy\\_finance/db\\_indicators/gen\\_gov\\_data/documents/2013/ccab\\_spring\\_en.pdf](http://ec.europa.eu/economy_finance/db_indicators/gen_gov_data/documents/2013/ccab_spring_en.pdf). EDP stands for Excessive Deficit Procedure, MTO stands for Medium Term Objective.

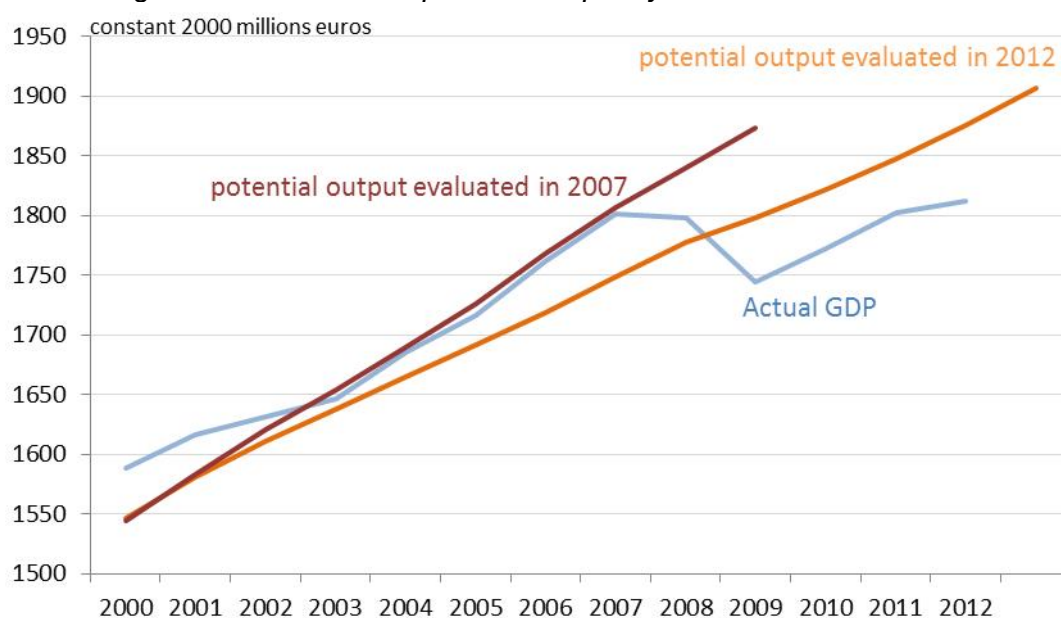
Countries are asked to pursue two targets, the first one being getting below 3% actual deficit before a certain date. For France, this implies a continued effort in reduction of the deficit in 2014 and 2015. Besides, as this is a nominal target (and not a structural one), higher multipliers than expected would imply a much larger *structural* effort than estimated currently by European Commission (EC). Simulations based on the iAGS model and reported in table 3 suggest that the structural effort for France should be of 1.3 % of GDP in 2013, 0.8 both in 2014 and 2015, in order to reach the 3% target, based a larger and probably more reasonable estimation of fiscal multipliers (1.0). This is less stringent than reaching the 3% target by 2013, as was agreed in the stability program for France voted in November 2012. This indicates an easing and an adaption of fiscal policy to the current situation as the Council has decided. Nevertheless, there is again a risk of not reaching the target by the year 2015. Neglecting the impact of fiscal multipliers, adverse shocks may then fuel doubt whereas France apply a voluntary path toward consolidation. On the opposite, if growth was higher than expected, and despite explicit notification of the opposite, unexpected windfall gains would probably not be affected to deficit reduction.

The same line of reasoning applies to Spain, The Netherlands and Belgium. The case for Spain is potentially even more dramatic as (1.) the current public deficit is larger for Spain, (2.) the risks of an unexpected increase in public deficit or debt are higher. For Spain, and for the next few years, the fiscal consolidation path should have been set as a structural effort with a more reasonable pace (1% of GDP of annual reduction of structural deficit for Spain, 0.5% of GDP for countries with lower debt and deficit).

Simulations conducted with the iAGS model, based on values of fiscal multipliers depending of the output gap, in the range of 1 to 1.5, show that this alternative fiscal stance would allow for a quicker reduction of unemployment rate and would end in close (but superior) ratios of debt to GDP.

Regarding MTO, the CSRs are setting precise years for the fulfilment of objectives. Those target years are different from one country to another, applying the Council specification that the fiscal consolidation path should be different for each country. It may seem that a structural target avoids the pitfalls of having an actual (or nominal) deficit target and thus prevent the potentially amplifying effect of wrongly estimated fiscal multipliers or of adverse shocks to the economy. Nevertheless, one should keep in mind that structural deficit evaluation relies on potential growth evaluation and that a memory effect is polluting those evaluations. It appears that evaluations of past potential growth are dependent on the present state of the economy. If multipliers are under estimated, then, growth is lower than expected and that is interpreted as a reduction in potential growth. For instance, potential growth estimates have been largely revised since 2007 and potential growth series display a large and unexplainable time variance. Figure 6 displays the evaluations of potential growth by OECD in 2007 and in 2012. Structural deficit revision for the year 2007 was from equilibrium (0% of GDP) as evaluated in December 2007 to a deficit of 1.6 % of GDP evaluated today. Such a revision illustrates the dependency of structural evaluation to the current state of affairs.

Figure 6. evaluations of potential output by OECD for France



Source: OECD economic outlook n°91 and 82

As a consequence, a less than expected growth for the years to come, up to the MTO fulfilment target, due for instance to higher than expected multipliers would induce a downward revision of potential growth and structural balances and would imply an extra effort to fulfil MTO.

There is no easy solution to this question, but it would be wrong to consider that adding the word structural to an objective for two or three years from now suffices to get rid of nominal targeting danger. In that sense, 2013 CSRs are not a fully satisfying answer.

#### **Banking union and financial stability**

Banks were a weak point of the economies in 2008. Insufficient capital requirements and insufficient regulations are usually considered as factors of the economic crisis of 2008. Implementation of more stringent regulations seems legitimate based on that analysis. But 2 more points are to be made.

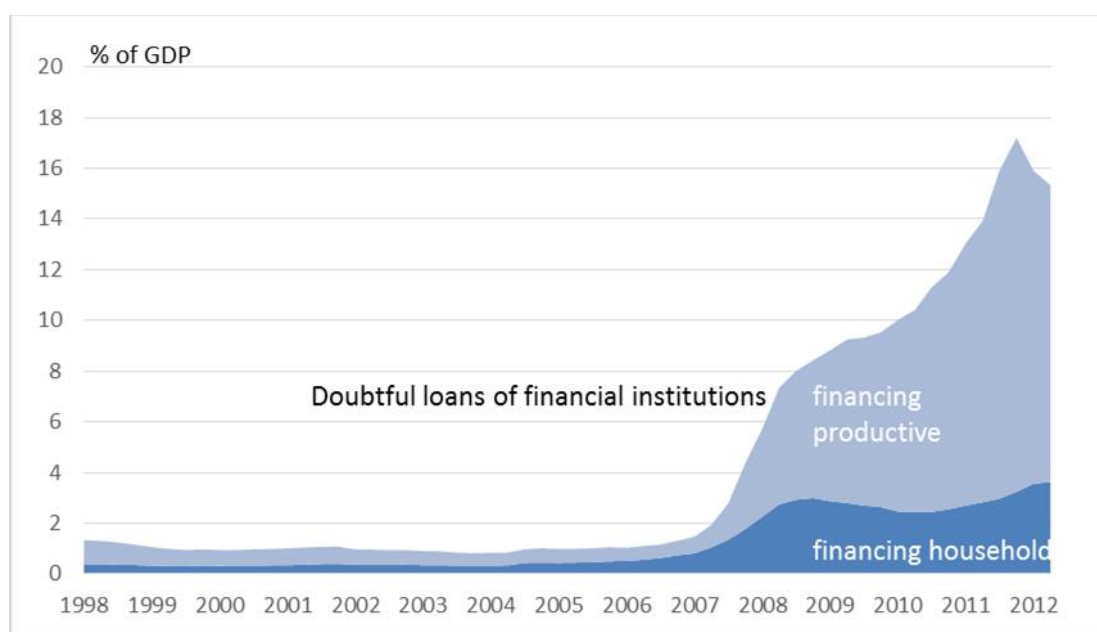


Firstly, monitoring of banks and contingency plans for banks failures, ability to reallocate assets and liabilities of failing banks are an alternative to large bailing out schemes which present the default of generating moral hazard risk. Being able to bail in a bank without any systemic transmission appears as a necessary device in a modern economy. That implies also that regulation, monitoring and bank crisis scheme have to be conducted at the eurozone level.

Secondly, there may be still bad debt located in Eurozone banks. Spanish banks are exposed to such dangers especially if unemployment rate stay high and if interest rates increase. A large share of Spanish households is indebted with variable rate loans. The liquidity trap situation and the lower benchmark rates used for calculating variable rates means that interest payment have been minimized, but a normalization of such rates could induce a surge in the default rate on private debt. That would foster stress on banks and could end in more public debt. A functioning banking union is a way to mutualize this debt and therefore avoid its concentration on the already high and untrusted Spanish debt. Wage deflation (see below) could be another factor triggering an increase in the default rate of Spanish households.

Figure 7 shows the magnitude of the problem in Spain. Doubtful loans account for more than 15% of GDP. Recent restructuration in banks assets and productive sector liabilities has allowed a significant reduction in the amount of doubtful loans, but a lot remains and casts a shadow on the banking sector. Moreover, household bad loans have not been addressed and are rising, increasing by more than 0.5% of GDP over the last semester.

*Figure 7: Doubtful loans for Spain banking sector*



Source: Bank of Spain, INE

### ***Addressing the social consequences of the crisis***

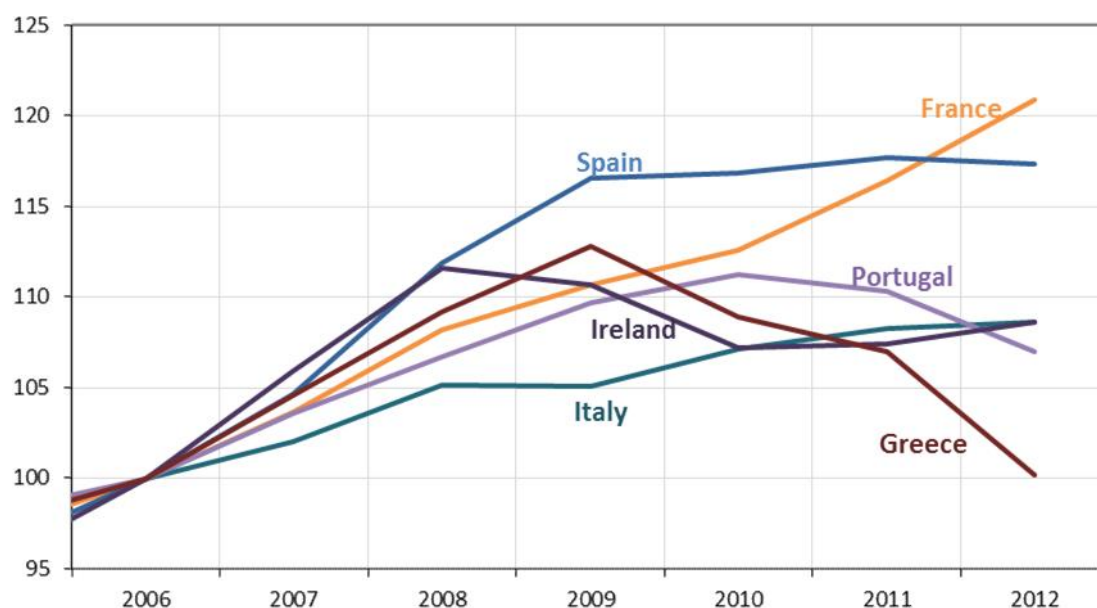
It is largely pointed out in the 2013 CSRs and in the euro area recommendations that the social consequences of the crisis are to be addressed, especially in southern countries. The social and political risk is high, and the Eurobarometer is showing a growing discontentment among populations exposed to the crisis. Moreover, long term consequences of the crisis will be shaped by loss of human capital, hysteresis on labour markets, unfairness in fiscal and social systems, and lower public investment.

However, CSRs may neglect one point. As mentioned when discussing fiscal multipliers, there is an arbitrage between reducing public deficit and debt and addressing the social consequences of the crisis. The CSRs rely implicitly on a prioritization of conflicting targets whereas the right way would be a balanced approach. Some measures can be taken with no fiscal impact to soften the social crisis. Reordering queuing line in job access, by reducing labour market segmentation, is one. But it is more a way of sharing misery over more people (making it more bearable) than a way to solve the problem. Pension reforms can also be analysed in that way, being a way to put the fiscal burden on older generations, limiting the direct consequences on working population. Such policies go very deep in questioning the social contract of each member states and should not be presented as inevitable solutions to the crisis.

### **Deflation risks**

High unemployment in southern euro area is bringing wage deflation. Wage deflation is now a measurable phenomenon at the macro level as Spain, Greece or Portugal are showing (see figure 8). This wage deflation is going to bring competitiveness to those countries, which they presently lack. It could be considered as a normal and plain adjustment of macro imbalances in the euro area.

*Figure 8. Wages per head in euro area*



Source : Eurostat, Nominal wages per worker, all economy, 100 in 2006

Past episodes of wage deflation show that it is not an effective adjustment. Nominal decreases in wage income induce debt deflation à la Fisher, as households debt contract are usually non inflation neutral. The rat race between open economies for competitiveness leads to further deflation and in the end no competitiveness gain (the aim of the single currency was to promote price stability as a factor facilitating the fair quest for competitiveness). Wage deflation threatens social acceptance of inequalities (often seen as one of the initial factors of the economic crisis of 2008) and asks for more adjustment (in minimum wage, in pension or social income level, in fiscal system). Wage deflation moreover favours the owner over the worker.

The IMF Chief economist (Blanchard, Dell’Ariccia, & Mauro, 2010) and coauthors were recently pleading for more inflation as a way to get out of the crisis. That alone should be enough to understand the dangers of wage deflation

2013 CSRs for several countries point that labour market reforms, desindexation of wages or of social protection schemes and active unemployment policies are to be undertaken, considering the unemployment level and lack of competitiveness. Increased competition in the services sector may also have an indirect impact on wages, labour market participation or unemployment. Even though it is quite consensual that such reforms have positive long term impacts and that they are important to reduce labour market duality and rigidities, in the short term such reforms may increase the downward pressure on wages. There is, in my opinion, some danger to insist for the years to come on such reforms as their impact is not the same in an economy with a low rate of unemployment and in one with a high one.

*Table 5: Labour market recommendations, 2013 CSRs*

|                        | <b>DIRECT</b>   | <b>INDIRECT</b>                 | <b>TAXATION</b>   |
|------------------------|---|---------------------------------|---|
| <b>BELGIUM</b>         | Wage setting system, reduce disincentives to work   | Competition in Service sector   | Tax burden from labour to other basis                                       |
| <b>SPAIN</b>           | Continue 2012 reform, reskilling, monitoring of job seekers   | Law on market Unity             |   |
| <b>FRANCE</b>          | Professional agreement on competitiveness, target active policies to most disadvantaged, labour market segmentation, reform of benefit system | Enhance competition in services |   |
| <b>ITALY</b>           | Wage setting, increase labour market participation  | Market opening in services      | Tax burden from labour and capital to consumption, property and environment |
| <b>THE NETHERLANDS</b> | Participation on labour market  | Labour market rigidities        | reduce taxation of second earner  |
| <b>AUSTRIA</b>         | labour market participation   | Federal authority               | competition<br>Tax burden from low work income to other basis               |
| <b>GERMANY</b>         | Wage growth (lower social contributions and high taxes), second earner participation  | Competition in Service sector   |   |

Source: 2013 CSRs

Moreover, as a recent report from International Labour Organization points out ((ILO, 2013)) labour markets after the crisis have been weakened by high unemployment and consolidation efforts. In that context, labour markets reforms should by no mean increase the pressure of competition or the incentives to find a job when unemployed. When unemployment is far from equilibrium level, such measures can indeed weaken even more the position of workers and unemployed.

A point can be made in proposals aiming at shifting tax burden from work (either overall or low income workers). Such reforms of course tend to increase employment through capital substitution and labour intensive consumption substitution and through competitiveness improvement. But, this is the point, competitiveness improvements are made at the expense of trading partners, who are still mainly euro area partners. By fiscal devaluation, as this process is usually understood, pressure on the same kind of policy or on wage deflation increases. Once again, the window of opportunity for such policy may be doubtful.

### ***A political statement***

In my opinion, CSRs may be largely improved by insisting on coordination of policies among euro area Member States. More than coordination, the feeling that a collective project in motion and that policies in each Member State are adding up to build that path is important. Several times in CSRs, mention is made of “growth friendly policies”. This expression lacks precise content and directions. Moreover, growth is of course a central outcome of economic policy, but low carbon economy, low unemployment, high social cohesion are also important goals for people. Part of such goals are included into the so called “Lisbon strategy” and it seems to me that CSRs should be articulated on such goals.

One example may help to understand the potential benefit from such an approach: many CSRs include service sector reforms in order to increase competition and openness. Transportation (road, train), electricity or energy distribution are the sectors concerned by opening and liberalization. But those sectors are also strategic sectors for the transition to a low carbon economy. They are also sectors where coordination among Member States is critical: interconnection of distribution network, interconnection of transportation network. So one way to move on those subject is to implement large scale projects, having as a target low carbon economy and as a tool market opening, instead of making market opening a goal, hard to understand and to accept as such by a lot of people.

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**Written submission from the Seimas of the Republic of Lithuania regarding the ECON meeting of 17/09/2013, in reply to the suggested topics for framing the discussion**

**1. Have you established national best practises to be as closely as possible involved in the adoption of the recommendations and their implementation? How could the political ownership of these recommendations be increased at the national level?**

The National Reform Programme (NRP) 2013 of Lithuania was submitted to the European Commission in April 2013. It has been drafted taking into account the provisions of the Lithuanian progress strategy Lithuania 2030, which was approved by the Seimas of the Republic of Lithuania on 15 May 2012. The NRP was approved by the Government of Lithuania and also deliberations on NRP took place at the relevant committees of the Seimas. The NRP was being prepared at the same time as the 2013 Convergence Programme of Lithuania and is in line with the strategic programme documents of the Government of the Republic of Lithuania. When planning new measures in the field of structural reforms, the proposals of the European Commission to the EU Member States provided in the Annual Growth Survey 2013 were evaluated and taken into account.

**2. Following the adoption by the Council of the country-specific recommendations, do you expect your government to unveil new budgetary measures and / or new structural reforms in the new draft budget law?**

Ensuring the sustained macroeconomic stability remains the guiding principle in planning the structural reforms in the near- and mid-term. Taking into account the recommendation on ensuring the implementation of the budgetary strategy, the state budget appropriations for 2014 are being planned no higher than those of 2013 (except for the EU assistance and support from other countries, other areas intended under laws for financing special programs, and certain other areas) less the funds of programmes completed in 2013. Taking into account the recommendation on the reinforcing tax compliance, great attention will be paid to ensuring fulfilment of tax obligations in a correct and timely manner. As regards the structural reforms, certain measures are being planned in the area of implementation of the pension system reform; active labour market policy, including targeting the youth unemployment; reducing poverty and social exclusion; increasing energy efficiency of multi-apartment buildings and promoting interconnectivity with the Member States for both electricity and gas.

**3. Do you consider that the country-specific recommendations provide the right economic orientations for your country and your main economic partners in the EU? Do you address potential spill-over effects in the currency union?**

Lithuania welcomes the recommendations developed by the Commission and supports their relevance. Major economic and social challenges for the EU and the Euro area, reflects the growing interdependence between Member States. Recommendations guides Member States to implement their policies in ways that help the EU to grow sustainably. Therefore we believe that in order to address specific issues, such as deepening of the internal market, horizontal recommendations could be developed; and those recommendations should cover all or at least most of the Member States rather than each Member State individually.

Euro area Member States are in a specific situation due to their stronger financial and economic inter-linkages and the resulting spill-over effects. Ex-ante coordination of major economic policy reforms could help Member States to implement reforms better and earlier. Also it will help to avoid negative spill-over effects of the reforms on other euro area countries in the decision-making process.

The Annual Growth Survey of 2013 has launched the third European Semester of policy coordination. It has identified that the priorities of last year's Survey remain broadly valid, building on positive signs that the reforms already initiated are having an impact. However, seeking to reduce or eliminate any possible negative spill-over effects that may arise from national actions on other EU countries or on the euro area as a whole, there is more scope for enhanced economic policy coordination, which is enforced in the Article 11 of the TSCG. As shown by the report from the European Parliament on the European Semester (in autumn of 2012), stronger coordination between Member States' macroeconomic and budgetary policies is needed in order to achieve a more integrated and balanced economic union. In June the European Council concluded that the Council and the Commission should closely monitor the implementation of the country specific recommendations provided to Member States in the context of the European Semester. Under Lithuanian Presidency, this will be reinforced by implementing the fiscal surveillance exercise this autumn under the two pack, and also through enhanced monitoring of the country-specific recommendations (including thematic peer reviews, monitoring of the implementation of MIP-relevant recommendations, pilot project on the ex ante coordination).

**TABLE 2**  
**Country Specific Recommendations 2013**  
**compared to the implementation of 2012 recommendations**

This table presents:

- The [Country Specific Recommendations for 2012](#), as adopted by the Council on 10 July 2012.
- **The assessment of the implementation of CSRs 2012** based on the [Commission Staff Working Papers](#), as published on 29 May 2013
- The [Country Specific Recommendations for 2013](#), as adopted by the Council on 9 July 2013


In addition to the country specific recommendations the table includes **the common recommendation for the economic policies of the Member States whose currency is the euro** (see last recommendations in the above CSRs).

The recital of the CSR specifies whether a specific **recommendation is linked to a particular EU policy instrument**:

- The first CSR generally refers to **fiscal policies** could therefore trigger further procedural steps either under the preventive arm or the corrective arm of the Stability and Growth Pact (in accordance with [Regulation 1466/97 as amended](#), [Regulation 1467/97 as amended](#), and [Regulation 1173/2011](#)).
- Some CSRs may refer to **policies relevant for correcting macro-economic imbalances** and could therefore trigger further procedural steps the Macro-Economic Imbalances Procedure (in accordance with [Regulation 1176/2011](#) and [Regulation 1174/2011](#)). The table indicates which recommendations, if any, refer to such a case.
- Other CSRs may refer to policies relevant to achieve **other major economic policy objectives**, such as growth enhancing structural reforms, employment and social aspects and/or financial market stability (in accordance with the integrated guidelines adopted under Articles 121(2), 136 and 148(4) of the [Treaty on the Functioning of the European Union](#)).

Note: the CSR for 2013 have been re-arranged in the table, when relevant, to allow an easier comparison of the topics dealt with. Emphasis in the CSRs has been made by the EGOV unit.

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| <br><b>BE</b> | <u>Country Specific Recommendations 2012</u><br><b>MIP: 1, 4, 5, 6</b>   | <u>Assessment of implementation of CSR 2012</u><br><u>(based on COM staff documents)</u>  | <u>Country Specific Recommendations 2013</u><br><b>MIP: 1, 2, 3, 4, 5</b>   |
|--|--|---|---|
|  | <p>1. Implement the budget for the year 2012 to make sure that the <b>excessive deficit is corrected by 2012</b>. 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 <b>sufficient progress is made towards the MTO</b>, 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, <b>and increase transparency of burden-sharing and accountability across government layers</b>.</p> | <p><b>Partial implementation / Limited progress</b></p> <p>Belgium did not correct its excessive deficit by the 2012 deadline. This was partly due to the urgent need to recapitalise the Banking Group Dexia at the end of 2012. However, even without this operation the deadline would have been missed. The average annual fiscal effort is estimated at 0.3% of GDP, significantly below the ¾ % of GDP recommended by the Council.</p> <p>In 2013, the deficit is expected to decrease to 2.9% of GDP. It is projected to rise again in 2014 (to 3.1 %). Hence the correction is not yet sustainable.</p> <p>No progress has been made on the fiscal framework. A revision of the Law on the financing of regions and communities is under way, but this will not alter the current ad hoc effort-sharing of budgetary targets.</p> | <p>1. Adopt additional measures to achieve the structural adjustment effort specified in the Council Decision to give notice to correct the <b>excessive deficit by 2013</b> and to enhance the sustainability and credibility of the consolidation. A durable correction of the fiscal imbalances requires the credible implementation of ambitious structural reforms which would increase the adjustment capacity and boost potential growth. After the correction of the excessive deficit, pursue the structural adjustment at an appropriate pace so as to <b>reach the medium-term objective by 2016</b> and ensure that the high debt ratio is put on a firm downward path. To this end, present growth-friendly structural measures for 2014 by 15 October 2013 which ensure a sustainable correction of the excessive deficit and sufficient progress towards its medium-term objective. Ensure that the adjustment path is balanced over time or even front-loaded. <b>Adopt explicit coordination arrangements to ensure that budgetary targets are binding at federal level and sub-federal levels</b> within a medium-term planning perspective including through the prompt adoption of a rule on the general government budget balance/surplus that complies with the requirements of the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union and to increase the transparency of burden sharing and accountability across government layers.</p> |
|  | <p>2. Continue to improve the <b>long-term sustainability of public finances</b> 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</p>  | <p><b>Partial implementation/Some progress</b></p> <p>The reform of the old-age social security system is well under way and the bulk of the measures has either been legally adopted or is on schedule. First projections underline the positive impact of the reforms enacted. Nevertheless, given the</p>  | <p>2. Step up efforts to close the <b>gap between the effective and statutory retirement age</b>, including by pursuing the on-going reforms to reduce the early-exit possibilities. Underpin reforms of the old-age social security systems with employment-support measures and <b>labour-market reforms conducive to active ageing</b>. Increase the effective</p>   |



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|  | <p>age to life expectancy.</p>  | <p>magnitude of the challenge, Belgium is still likely to fall short of the elderly employment objective it set for itself if no additional measures are taken. In addition, the positive contribution of the enacted reforms to the long-term sustainability of public finances is likely to be partially offset by lower growth as a result of the crisis. Current plans to transfer competencies in the field of long-term care (e.g. residential elderly care homes) from the federal level to communities may, at least partially, address the inefficiency issues raised by administrative complexity.</p> <p>No measures have been taken to link the statutory retirement age to life expectancy.</p> | <p>retirement age by aligning retirement age or pension benefits to changes in life expectancy. Continue to improve the cost-efficiency of public spending on long term institutional care.</p>   |
|  | <p><b>3.</b> Stimulate capital increase of the weakest banks to underpin the strength of the <b>banking sector</b> so that it can play its normal role in lending to the economy.</p>   | <p><b>Full implementation</b></p> <ul style="list-style-type: none"> <li>- Dexia was recapitalised by the Belgian and French state at the end of 2012.</li> <li>- KBC increased its capital and reimbursed state aid ahead of schedule.</li> <li>- Belfius is 100 % state-owned and is currently adequately capitalised.</li> <li>- Other big Belgian banks (ING, BNP Paribas) are part of bigger, international banking groups.</li> </ul>  | <p><b>3.</b> To restore competitiveness, pursue the on-going efforts to reform <b>the wage setting system, including wage indexation</b>; in particular, by taking structural measures, in consultation with the social partners and in accordance with national practice, to ensure that wage setting is responsive to productivity developments, reflects subregional and local differences in productivity and labour market conditions, and provides automatic corrections when wage evolution undermines cost-competitiveness.</p> |
|  | <p><b>4.</b> To boost job creation and competitiveness, take steps to reform, in consultation with the social partners and in accordance with national practice, the <b>system of wage bargaining and wage indexation</b>. 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><b>Partial implementation / Limited progress</b></p> <p>To restore the losses in cost-competitiveness incurred in past years, the Belgian authorities have (a) taken measures to curb inflationary pressures in several key markets and (b) started to implement various reforms to bring down the accumulated wage gap vis-à-vis neighbouring countries by 2018.</p> <p>Although overall inflation has been declining and is projected to remain low throughout 2013, it is unclear if the initiated trend can be sustained over the longer run.</p> <p>With regard to the wage gap relative to trading partners, so far the Belgian authorities have</p>  |   |


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|  |   | <p>focused their reform efforts on remedial measures.</p> <p>No measures have been taken to facilitate the use of opt-out clauses and/or to ensure better alignment between wage and productivity evolutions at sectorial level.</p>  |  |
| <p><b>5.</b> 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 <b>labour market</b> 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><b>Partial implementation / Some progress</b></p> <p>No major shift of labour taxes to less growth distortive taxes.</p> <p>The reform of the unemployment benefit system accelerates the gradual decrease of the unemployment allowance and ensures that it applies to all beneficiaries.</p> <p>The efforts to increase the traineeship and lifelong learning capacity are positive developments but a more fundamental reflection on the fit between the educational system and the labour market is required as well as on the effective results of adult training in terms of skills acquired.</p> <p>Concerning labour mobility, there is room for more ambitious target setting and financial investment.</p> <p>The age ceiling below which the unemployed are actively followed up has been raised to 55 in all regions. A further increase to 58 is due by 2016.</p> | <p><b>5.</b> Establish concrete and time-specific proposals <b>for shifting taxes from labour</b> to less growth-distortive tax bases, notably by exploring the potential of environmental taxes, for example on diesel, heating fuels and the taxation of the private use of company cars. Simplify the tax system by reducing tax expenditures in income taxation, increasing VAT efficiency and improving tax compliance by closing existing loopholes.</p> <p><b>6.</b> Further <b>reduce disincentives to work</b> by ensuring effective enforcement of job-search requirements and personalised job search assistance for all unemployed. Take measures to increase interregional labour mobility. Simplify and reinforce coherence between employment incentives, activation policies, labour matching, education, lifelong learning and vocational training policies for older people and youth. Develop comprehensive <b>social-inclusion and labour market strategies for people with a migrant background.</b></p> |  |
| <p><b>6.</b> Continue to <b>strengthen competition</b> 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><b>Partial implementation / Limited progress</b></p> <p>- Retail: All three regions are considering new legislation on the opening of large retail establishments. However, the transfer of competence from the federal to the regional level will probably not be finalised before 2014.</p> <p>A new competition law is currently under discussion in Parliament which gives more power to the Competition Authority (Conseil de Concurrence) and reinforces the role of the Price Observatory in monitoring unwarranted price</p>   | <p><b>4.</b> Present concrete and time-specific structural measures to <b>improve competition</b> in the services sector, by removing barriers in retail and excessive restrictions in professional services and improve the provision of mobile broadband. Continue to improve the functioning of the energy sector by reducing distribution costs and monitoring retail prices, strengthen the independence of the regulators in the energy, telecoms and the transport sectors (railway, airport). Remove remaining regulatory barriers in the postal sector.</p>  |  |

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|  |  | increases.  |   |
|  | <p>7. Take further measures to enhance the progress towards reaching the targets for <b>reducing greenhouse gas emissions</b> from non-ETS activities, in particular by ensuring a significant contribution to this goal from transport.</p> | <p><b>No implementation / No progress achieved</b></p> <p>Belgian emissions projections remain well above the target.</p> <p>There appears to be no clear agreement on how to work towards the non-ETS activity greenhouse gas targets.</p> <p>No significant new initiatives have been put forward to make public transport more efficient and further reduce greenhouse gas emissions from transport.</p> | <p>7. Take concrete measures and agree a clear division of efforts between the federal and regional authorities to ensure progress towards reaching the targets for <b>reducing greenhouse gas emissions</b> from non-ETS activities, in particular from transport and buildings.</p> |

|  <b>BG</b> | <u>Country Specific Recommendations 2012</u><br><b>MIP: 3, 5</b>   | <u>Assessment of implementation of CSR 2012</u><br><u>(based on COM staff documents)</u>  | <u>Country Specific Recommendations 2013</u><br><b>MIP: 3, 4, 5</b>   |
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|   | <p><b>1. Continue with sound fiscal policies to achieve the MTO by 2012.</b> 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 <b>comprehensive tax-compliance strategy</b> to further improve tax revenue and address the shadow economy. Further improve the contents of the <b>medium-term budgetary framework</b> and the quality of the reporting system.</p> | <p><b>Substantial progress</b></p> <p>Public finances have remained strong in spite of the relatively slow economic recovery and preliminary estimates indicate that the MTO was achieved in 2012. The recently adopted new public finance law further aligns the legislation with the Fiscal Compact and Directive 2011/85/EU on minimum national budgetary requirements. Bulgaria implemented measures to increase tax-compliance and address the shadow economy, but still lacks a comprehensive strategy. Further efforts to put in place a coherent strategy for the health system will be needed.</p> | <p><b>1. Preserve a sound fiscal position</b> by ensuring compliance with the <b>medium-term objective</b> and pursue a growth-friendly fiscal policy as envisaged in the convergence programme. Implement a comprehensive tax strategy to <b>strengthen all aspects of the tax law and collection procedures</b> with a view to increase revenue, notably by improving tax collection, tackling the shadow economy and reducing compliance costs. Establish an <b>independent institution to monitor fiscal policy</b> and provide analysis and advice.</p>  |
|   | <p><b>2. Take further steps to reduce risks to the sustainability and to improve adequacy of the pension system</b> 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><b>Some progress</b></p> <p>Steps have been taken in the right direction but further measures are needed to guarantee the adequacy of the pension system, especially by increasing the number of contributors, discouraging early exit and avoiding abuses of the invalidity pension system.</p>   | <p><b>2. Phase out early retirement options</b>, introduce the same statutory retirement age for men and women and implement active labour market policies that enable older workers to stay longer in the labour market. Tighten the eligibility criteria and controls for the allocation of invalidity pensions to effectively limit abuse.</p>   |
|   | <p><b>3. Accelerate the implementation of the national Youth Employment Initiative.</b> 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 <b>alleviate poverty</b>, 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><b>Limited progress</b></p> <p>Comprehensive measures to improve youth employment and fight poverty and social exclusion are lacking. The strategy on reducing poverty is in the early stages of implementation; an assessment is not feasible at this stage. The National Roma Integration Strategy lacks an appropriate budget and an action plan. The government kept the minimum thresholds unchanged in 2013 for those professions where employers and employees could not reach an agreement, but a review of the system has not yet been launched.</p>  | <p><b>3. Accelerate the national Youth Employment Initiative</b>, for example through a Youth Guarantee. Further strengthen the capacity of the Employment Agency with a view to providing effective counselling to jobseekers and develop capacity for identifying and matching skill needs. <b>Enhance active labour-market policies</b>, in particular concerning national employment schemes. Undertake a review of the minimum thresholds for social security contributions to ensure that the system does not price the low-skilled out of the labour market. Ensure concrete delivery of the National <b>Strategies on Poverty</b> and Roma integration. Improve the accessibility and</p> |

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|  |   |  | effectiveness of social transfers and services, in particular for children and older people.   |
|  | <p>4. Speed up the reform of relevant legal acts on <b>schools and higher education</b> and of accompanying measures by focusing on modernising curricula, improving teacher training, and ensuring effective access to education for disadvantaged groups. Improve the <b>access to finance for start-ups and SMEs</b>, in particular those involved in innovative activities.</p>   | <p><b>Limited progress</b></p> <p>The new Law on Pre-School and School Education has still not been adopted. The complete package of modernised curricula for general education has been finalised. There are no longer plans to further amend the Law on Higher Education. ESF-funded projects on teacher training and ensuring effective access for disadvantaged people are ongoing.</p> <p>Investments in seed capital and support for early start-up and innovative companies remain very low and there is a risk of losing EU funds already in 2013.</p>                     | <p>4. Adopt the School Education Act and pursue the <b>reform of higher education</b>, in particular through better aligning outcomes to labour-market needs and strengthening cooperation between education, research and business. Improve access to inclusive education for disadvantaged children, in particular Roma. Ensure effective access to healthcare and improve the pricing of healthcare services by linking hospitals' financing to outcomes and developing out-patient care.</p> |
|  | <p>5. Step up efforts to <b>enhance administrative capacity</b> and reforms by reducing red tape and the cost of tax compliance and collection, and further improving the <b>absorption of EU funds</b>, 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><b>Some progress</b></p> <p>Measures to reduce red tape and the cost of tax compliance are steps in the right direction; however, their impact on businesses remains to be seen. Lack of expertise and coordination between relevant entities, and a lack of appropriate broadband infrastructure threaten the implementation of e-government. The use of EU structural funds remains low (30%) despite progress over recent years. The key to achieving progress on judicial reform is to deliver on the recommendations under the Cooperation and Verification Mechanism.</p> | <p>5. Take further steps to <b>improve the business environment</b>, by cutting red tape, implementing an e-government strategy and implementing the legislation on late payments. Improve the quality and independence of the judicial system and fight corruption more effectively. Improve the <b>access to finance for SMEs and start-ups</b>.</p>   |
|  | <p>6. Ensure sound implementation of <b>public procurement legislation</b>. 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><b>Some progress</b></p> <p>The new rules for ex-post control contributed to increasing the effectiveness of controls and the number of the sanctions applied. This trend needs to be confirmed.</p> <p>Although new rules on ex ante control of EU financed projects have been put forward by the authorities, further strengthening of these preventive measures is needed. Delays in the treatment of appeals related to public procurement considerably affect the implementation of Structural</p>   | <p>6. Accelerate the <b>absorption of EU funds</b>. Ensure sound implementation of <b>public-procurement</b> legislation by extending ex-ante control by the Public Procurement Agency to prevent irregularities.</p>  |


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|  |   | and Investment Funds.  |   |
|  | <p>7. Take measures to <b>remove market barriers</b>, guaranteed profit arrangements and price 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, <b>boost energy efficiency</b> and enhance the capacity to cope with disruptions.</p> | <p><b>Limited progress</b></p> <p>The independence of the energy regulator was put in doubt by recent developments. The new Energy Law sets out rules for unbundling in the energy sector, but transmission system operators have not yet been certified. Progress on market design, retail markets, energy exchange and balancing markets remains very limited and there is partial progress on energy efficiency, and electricity and gas connections.</p> | <p>7. Strengthen the independence of national regulatory authorities and the administrative capacity in particular in the energy and transport sectors, as well as for waste and water management. Remove <b>market barriers</b>, quotas, territorial restrictions and regulated prices and complete the market design by setting up a transparent wholesale market for electricity and natural gas. Accelerate electricity and gas interconnector projects and enhance the capacity to cope with disruptions. Step up efforts to <b>improve energy efficiency</b>.</p> |

| <br>CZ | <u>Country Specific Recommendations 2012</u>   | <u>Assessment of implementation of CSR 2012<br/>(based on COM staff documents)</u>   | <u>Country Specific Recommendations 2013</u>   |
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|   | <p>1. Ensure planned progress towards the <b>timely correction of the excessive deficit</b>. 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 <b>adequate structural adjustment effort to make sufficient progress towards the MTO</b>, 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. <b>Shift the high level of taxation on labour to housing and environmental taxation</b>. 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 <b>Single Collection Point for all taxes</b>.</p> | <p><b>Some progress</b></p> <p>The general government deficit target of 2.9% of GDP in 2013 is in line with the deadline for correcting the excessive deficit. The 2013 spring forecast projects a headline deficit of 2.9% of GDP in 2013. The average annual fiscal effort of 1.4% of GDP over the period 2010-2013, based on the (recalculated) structural budget balance, is above the effort of 1 % of GDP recommended by the Council.</p> <p>Some progress was made on decreasing the size of across-the-board cuts and of cuts in growth enhancing expenditure.</p> <p>Some progress on taxation. A package of tax measures adopted in December 2012 increased indirect taxes and property taxation and reduced limits on deductible expenses for the self-employed.</p> <p>No measures on environmental taxation and recurrent real estate taxes were adopted and current plans are likely to be delayed.</p> <p>Limited progress on tax collection and compliance. Measures were adopted to limit VAT fraud and the introduction of a single collection point for income taxes is envisaged for 2015.</p> | <p>1. Implement as envisaged the budget for the year 2013 so as to <b>correct the excessive deficit</b> in 2013 in a sustainable manner and achieve the structural adjustment effort specified in the Council recommendations under the EDP. For the year 2014 and beyond, reinforce and rigorously implement the budgetary strategy, supported by sufficiently specified measures, to ensure an adequate fiscal effort to make <b>sufficient progress towards the medium-term objective</b>. Prioritise growth-enhancing expenditure including committing on time remaining projects co-financed with EU funds under the current financial framework.</p> |
|   |  |  | <p>2. Reduce the high level of <b>taxation on labour</b> by shifting taxation to areas less detrimental to growth, such as recurrent taxes on housing and vehicle circulation taxes. Further reduce discrepancies in the tax treatment of employees and the self-employed. Improve tax compliance and reduce compliance costs by establishing the Single Collection Point and harmonising the tax bases for personal income tax and social and health</p>  |


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|   |  |  | contributions. |
| <p><b>2.</b> Introduce further changes to the <b>public pension scheme</b> 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><b>No progress</b></p> <p>No progress made on pension system sustainability. As part of the consolidation package, indexation of pensions was lowered. The Czech Republic introduced an early retirement scheme, which goes against policies to extend working lives. Participation in the newly launched fully funded pillar is below expectations. The pillar has still to prove its viability.</p> | <p><b>3.</b> Increase the <b>effective retirement age</b> by aligning retirement age or pension benefits to changes in life expectancy, and review the indexation mechanism. Accompany the increase in retirement age with measures promoting employability of older workers and reduce early exit pathways. In particular, remove the public subsidy for the pre-retirement scheme. Take measures to significantly improve cost-effectiveness of healthcare expenditure, in particular for hospital care.</p> |                |
| <p><b>3.</b> Take additional measures to significantly increase the availability of affordable and quality <b>pre-school childcare</b>.</p>   | <p><b>Limited progress</b></p> <p>The draft law on pre-school childcare is to be adopted by the government in 2013. The law facilitates the provision of private childcare and introduces tax incentives for companies and families. Broader provision, affordability and adequate quality of the new facilities may not be ensured.</p>   | <p><b>4.</b> Take additional efforts to strengthen the efficiency and effectiveness of the public employment service. Increase significantly the availability of <b>inclusive childcare facilities</b> with a focus on children up to three years old, and the participation of Roma children, notably by adopting and implementing the law on provision of childcare services and strengthening the capacities of both public and private childcare services.</p>   |                |
| <p><b>4.</b> Strengthen <b>PES</b> by increasing the quality and effectiveness of training, job search assistance and individualised services, including of outsourced services.</p>  | <p><b>Some progress</b></p> <p>The reform of the public employment service was adopted in 2011 and implemented throughout 2012, the effects of which should materialise in the medium term. Additional support is also being granted from various European Social Fund projects. The outsourcing of employment services should be revised in 2014.</p>   |  |                |
| <p><b>5.</b> Adopt and implement as a matter of urgency the Public Servants Act to promote <b>stability and effectiveness of the public administration</b> 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 <b>fight against corruption</b>.</p> | <p><b>Some progress</b></p> <p>Limited progress fighting corruption. Key measures from the 2011-12 anti-corruption strategy not adopted. Plans retained with delay in implementation in the 2013-14 strategy.</p> <p>Limited progress on the Public Servants Act: a new proposal from April 2013 retains important weaknesses.</p>   | <p><b>5.</b> Ensure implementation of the <b>anti-corruption strategy</b> for 2013-2014. Adopt a Public Servants Act that should ensure a <b>stable, efficient and professional state administration service</b>. Improve the management of EU funds in view of the 2014-2020 programming period. Strengthen the capacity for implementation of public tenders at local and regional level.</p>  |                |




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|  |  | Substantial progress in implementation of the Public Procurement Act Substantial progress in addressing anonymous shares issue: An act regulating anonymous shares from 2014 was approved by parliament in May 2013. Some progress on EU funds implementation. Implementation of an action plan on EU funds control system agreed with the Commission.  |  |
|  | <b>6.</b> Adopt the necessary legislation to establish a transparent and clearly defined system for <b>quality evaluation of higher education</b> 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. | <b>Limited progress</b><br>The system for evaluating the quality of higher education institutions has changed only marginally over the reporting period. Further progress is expected from the implementation of the higher education reform, which is planned to be adopted in 2013. The link between quality and funding was strengthened somewhat in 2013 but no further steps are envisaged in the near future. | <b>6.</b> Establish a comprehensive evaluation framework in <b>compulsory education</b> and take targeted measures to support schools that rank low in educational outcomes. Adopt measures to enhance accreditation and funding of <b>higher education</b> . Increase the share of performance- based funding of research institutions. |
|  |  |   | <b>7.</b> Drawing on the on-going review, proceed with a <b>reform of regulated professions</b> , by reducing or eliminating entry barriers and reserves of activities where they are unjustified. Take further measures to <b>improve energy efficiency</b> in the buildings and industry sectors.                                      |

| <br><b>DK</b> | <u>Country Specific Recommendations 2012</u><br><b>MIP: 3, 4, 5</b>  | <u>Assessment of implementation of CSR 2012</u><br><u>(based on COM staff documents)</u>  | <u>Country Specific Recommendations 2013</u><br><b>MIP: 3</b>  |
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|  | <p>1. Implement the budgetary strategy as envisaged, to ensure a <b>correction of the excessive deficit by 2013</b> and achieve the annual average structural adjustment effort specified in the Council recommendations under the EDP. Thereafter, ensure an adequate structural adjustment effort to make <b>sufficient progress towards the MTO</b>, including meeting the expenditure benchmark.</p> | <p><b>Significant progress</b></p> <p>The 2013 budget aims to achieve a budget deficit of 2½ % in 2013 and 2¾ % in 2014. 2020 plan includes MTO of max. 0.5 % structural deficit by 2020.</p> <p>Budget law implements provisions of fiscal compact and sets expenditure ceiling at the central, municipal and regional level.</p>  | <p>1. Implement the budgetary strategy in 2013 as envisaged, so as to ensure the <b>correction of the excessive deficit</b> by 2013. Furthermore, implement the budgetary strategy for 2014 and beyond to ensure an <b>adequate fiscal effort to remain at the medium-term objective</b>.</p>  |
|  | <p>2. Take further steps to enhance long-term labour supply by reforming the disability <b>pension</b>, better targeting <b>subsidised employment schemes</b> (the 'flex-job' system) towards people with reduced work capacity, and improving the employability of people with a migrant background.</p>  | <p><b>Significant progress</b></p> <p>Tax reform from spring 2012 lowers taxes on earned income.</p> <p>Reform of disability pension and the 'flex-job' system by creating rehabilitation teams and setting the minimum age of 40 to access the disability pension and 'flex-job' scheme.</p> <p>'Acute package' aims to create job opportunities for the long-term unemployed.</p> <p>Reform of the social assistance scheme [also under CSR3] proposed by the government.</p> |  |
|  | <p>3. Implement announced measures, without delay, to improve the cost-effectiveness of the <b>education system</b>, reduce drop-out rates, in particular within vocational education, and increase the number of apprenticeships.</p>   | <p><b>Some progress</b></p> <p>The 2013 budget provides additional DKK 2.9 billion [€ 0.4 billion] for education and vocational training.</p> <p>An expert committee is working on proposals (planned for spring 2013) to strengthen the quality of youth vocational education, create additional apprenticeships and provide a well-functioning youth education guarantee.</p>   | <p>2. Take further steps to improve the employability of people at the margins of the labour market, including people with a migrant background, the long-term unemployed and low-skilled workers. <b>Improve the quality of vocational training</b> to reduce drop-out rates and increase the number of apprenticeships. Implement the <b>reform of primary and lower secondary education</b> in order to raise attainment levels and improve the cost-effectiveness of the education system.</p> |
|  | <p>4. Continue efforts to remove <b>obstacles to competition</b>, in particular in local services, the retail and construction sector, including by further opening the municipal and regional procurement</p>   | <p><b>Some progress</b></p> <p>A Productivity Commission has been appointed with the task of advising the government by the</p>   | <p>3. Continue efforts to remove <b>obstacles to competition</b> in the services sector including in the retail and construction sectors and enhance effectiveness in the provision of public services.</p>  |

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|  | <p>of services to competition and ensuring that competition law sanctions have a sufficiently deterrent effect.</p>  | <p>end of 2013 on ways to increase competitiveness.</p> <p>The government has updated the Competition act the Danish law on opening hours expired and shop owners can open shops when they want. However, some restrictions remain in retail services sector.</p>   |  |
|  | <p><b>5.</b> Consider further preventive measures to strengthen the stability of the <b>housing market</b> 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> | <p><b>Some progress</b></p> <p>The government has implemented a ‘traffic light’ labelling scheme that labels mortgage loans according to their riskiness.</p> <p>The government had formalised already existing requirements for borrowers to be allowed to take up variable rate and deferred-installment loans, only if they can afford fixed interest rate and repayment loans.</p> <p>Although cadastral values continue to be updated every two years to reflect market values, the property value tax has been frozen in nominal terms since 2002. The government has signalled no intention to review the property value tax system.</p> |  |

| <p>DE</p>  | <p><u>Country Specific Recommendations 2012</u></p>  | <p><u>Assessment of implementation of CSR 2012<br/>(based on COM staff documents)</u></p>   | <p><u>Country Specific Recommendations 2013</u></p>   |
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|   | <p>1. Continue with sound fiscal policies <b>to achieve the MTO by 2012</b>. 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 <b>implementation of the debt brake in a consistent manner across all Länder</b>, ensuring timely and relevant monitoring procedures and correction mechanisms.</p> | <p><b>Significant progress</b> in achieving fiscal targets and implementing the budgetary strategy as envisaged. The general government budget produced a small surplus and the MTO was met in 2012.</p> <p><b>Limited progress</b> in further enhancing the efficiency of public spending on healthcare and long-term care and of the tax system.</p> <p>Germany appears to be well on track with respect to the national target on education and research expenditure, but may consider more ambitious follow-up targets.</p> <p><b>Limited progress</b> in the implementation of the constitutional debt brake at Länder level, in particular with respect to specifying implementing rules.</p> | <p>1. Preserve a sound fiscal position as envisaged which ensures <b>compliance with the medium- term objective over the programme horizon</b>. Pursue a growth-friendly fiscal policy through additional efforts to enhance the cost-effectiveness of public spending on healthcare and long- term care through better integration of care delivery and a stronger focus on prevention and rehabilitation and independent living. Improve the <b>efficiency of the tax system</b>, in particular by broadening the VAT base and by reassessing the municipal real estate tax base; use the available scope for increased and more efficient growth-enhancing spending on education and research at all levels of government. Complete the <b>implementation of the debt brake in a consistent manner across all Länder</b>, ensuring that monitoring procedures and correction mechanisms are timely and relevant.</p> |
|   | <p>2. Address the remaining structural weaknesses in the <b>financial sector</b>, <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.</p>   | <p><b>Significant progress</b> in strengthening the regulatory and supervisory framework in the financial sector.</p> <p><b>Progress</b> in restructuring of Landesbanken based on Commission state aid decisions.</p>  |   |
|   | <p>3. <b>Reduce the high tax wedge</b> 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</p>  | <p><b>Limited progress</b> to reduce the high tax wedge.</p> <p><b>Insufficient progress</b> on integrating the long-term unemployed into the labour market.</p> <p><b>Significant progress</b> in wage growth.</p> <p><b>Insufficient progress</b> in raising the educational achievement of disadvantaged groups.</p> <p><b>No progress</b> on phasing out fiscal disincentives for second earners.</p> <p><b>Progress</b> in increasing the availability of full-time childcare facilities is <b>insufficient</b> to meet the</p>  | <p>2. Sustain conditions that <b>enable wage growth</b> to support domestic demand. To this purpose, <b>reduce high taxes and social security contributions</b>, especially for low-wage earners and raise the educational achievement of disadvantaged people. Maintain appropriate activation and integration measures, especially for the long-term unemployed. Facilitate the transition from non-standard employment such as mini-jobs into more sustainable forms of employment. Take measures to improve incentives to work and the employability of workers, in particular for second earners and low-</p>  |


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|  | <p><b>childcare facilities</b> and all-day schools.</p>   | <p>estimated needs. Progress regarding the availability of all-day schools remains limited.</p>   | <p>skilled, also with a view to improving their income. To this end, remove disincentives for second earners and further increase the availability of fulltime <b>childcare facilities</b> and all-day schools.</p>  |
|  | <p><b>4.</b> Continue efforts to keep the overall economic costs of transforming the <b>energy</b> 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 <b>competition</b> 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.</p> | <p><b>Insufficient progress</b> in minimising the costs of transforming the energy system.</p> <p><b>Some progress</b> in setting the conditions for accelerating the expansion of the networks.</p> <p><b>Limited progress</b> in ensuring competition in the railway markets.</p> <p><b>Limited progress</b> in stimulating competition in the service sectors.</p> | <p><b>3.</b> Improve the coordination of the <b>energy policy</b> with neighbouring countries and keep the overall costs of transforming the energy system to a minimum, in particular by further reviewing the cost-effectiveness of energy policy instruments designed to achieve the renewable energy targets and by continuing efforts to accelerate the expansion of the national and cross-border electricity and gas networks.</p> <p><b>4.</b> Take measures to further stimulate <b>competition in the services sectors</b>, including certain crafts — in the construction sector in particular — and professional services to boost domestic sources of growth. Take urgent action to significantly increase the value of <b>public contracts open to procurement</b>. Adopt and implement the announced legislative reform to improve the enforcement of competition law regarding competition restrictions. Remove planning restrictions which unduly restrict new entries in the retail sector. Take further measures to eliminate the remaining <b>barriers to competition</b> in the railway markets. Pursue efforts for consolidation in the banking sector, including by improving the governance framework.</p> |


| EE<br> | <u>Country Specific Recommendations 2012</u>  | <u>Assessment of implementation of CSR 2012<br/>(based on COM staff documents)</u>   | <u>Country Specific Recommendations 2013</u>   |
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|   | <p>1. Preserve a sound fiscal position by implementing budgetary plans as envisaged, <b>ensuring achievement of the MTO by 2013</b> 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.</p>  | <p>Estonia has made <b>substantial progress</b> in implementing the budgetary plans mentioned in the CSR. However, <b>no progress</b> has been registered so far on the fiscal framework issue. The medium term objective was achieved in 2012, one year before the deadline. The temporary deviation from the MTO in 2013 is not significant and a structural surplus is forecast to be reached from 2014 onwards. The government is expected to fulfil its commitment under the Treaty on Stability Coordination and Governance and to adopt the structural budget balance rule in time. However, the authorities are not planning to introduce an expenditure rule. The government has taken steps to improve tax compliance.</p> | <p>1. Pursue a growth-friendly fiscal policy and <b>preserve a sound fiscal position</b> as envisaged, <b>ensuring compliance with the medium-term budgetary objective</b> over the programme horizon. Complement the planned budget rule with more binding multi-annual expenditure rules within the medium-term budgetary framework and continue enhancing the efficiency of public spending.</p>  |
|   | <p>2. Improve <b>incentives to work</b> 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.</p> | <p><b>Limited progress</b></p> <p>With the aim of increasing labour supply, it has reduced the unemployment insurance premium for both employers and employees from January 2013 and the personal and corporate income tax rates as of 2015.</p> <p>The government has also improved the targeting of family benefits in favour of families living in relative poverty. As current activation measures can only partly address the complex problems faced by the long-term and young unemployed, the activation level is still insufficient</p>  | <p>2. Improve <b>incentives to work</b> by making the various existing social-benefit systems more consistent and by increasing the flexibility and targeting of benefit allocation. Improve the delivery of social services, including childcare, while increasing the efficiency and cost- effectiveness of family policy. Strengthen activation measures to facilitate the return to the labour market of the long-term unemployed and people receiving disability benefits and incapacity for work benefits. Establish coordinated measures for fostering economic development in regions affected by high unemployment.</p> |
|   | <p>3. <b>Link training and education more effectively</b> 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</p>   | <p><b>Some progress</b></p> <p>The government has initiated a process of addressing skills mismatches by setting up a skills taskforce and has started preparing the 2014-20 Lifelong Learning Strategy. Performance agreements have been signed between the MoE</p>   | <p>3. Continue efforts to improve the <b>labour-market relevance of education and training</b> systems, including by further involving social partners and implementing targeted measures to address youth unemployment. Significantly increase the participation of the low skilled in life-long learning. Intensify efforts to prioritise and internationalise the</p>   |


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|  | and innovation systems.   | and tertiary education institutions. Weak cooperation between business and universities remains the main issue in R&D, together with the internationalisation of the R&I system. Prioritisation is expected to be addressed in two new strategies which are due to be adopted in late spring 2013.  | research and innovation systems and enhance cooperation between businesses, higher education and research institutions.   |
|  | <p><b>4. Improve energy efficiency</b>, 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.</p> | <p><b>Limited progress</b></p> <p>The government has taken action to improve the energy efficiency and reduce the carbon intensity of government buildings. Limited action has been undertaken for nongovernment buildings despite the huge potential.</p> <p>In transport, measures undertaken so far (electromobility programme, energy-efficient public transport fleet) are relevant, but insufficient</p> <p>Some progress has been made in energy efficiency but it is difficult to evaluate whether the support instruments will be sufficient. Steps have been taken in the right direction for strengthening environmental incentives in the area of waste.</p> <p>Estonia has reached its interim target for 2011-12 for renewable energy consumption. Estonia would need to complete the second electricity interconnection with Finland, and diversify its natural gas supply with a regional LNG terminal in the Baltic States and a possible interconnection with Poland. The internal Baltic transmission grid should be strengthened for both electricity and gas to contribute to the security of supply and regional trade.</p> | <p><b>4. Improve energy efficiency</b>, in particular in buildings and transport, and strengthen environmental incentives concerning vehicles and waste. Step up the development of cross-border energy connections to diversify energy sources and promote competition in the energy market.</p> |
|  | <p><b>5. Enhance fiscal sustainability of municipalities</b> 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.</p>   | <p><b>Limited progress</b></p> <p>Limited adjustments have been made to two Acts to facilitate voluntary mergers of municipalities, but cover neither local government revenue nor services, and their possible impact is likely to be small. With respect to services, an action plan is being prepared and pilot projects are ongoing, while some clarity may soon be brought to respective</p>   | <p><b>5. Better balance local government</b> revenue against devolved responsibilities. Improve the efficiency of local governments and ensure quality provision of local public services.</p>  |

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|  |  | responsibilities in the upper secondary education sector. Nevertheless, low accessibility and quality of services provided at local level remain a hindrance to the re-employment of the long-term unemployed. |  |
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|  | <a href="#">Country Specific Recommendations 2012</a>   | <a href="#">Assessment of implementation of CSR 2012<br/>(based on COM staff documents)</a> | <a href="#">Country Specific Recommendations 2013</a>  |
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|   | 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. |   | To avoid duplication with measures set out in the <a href="#">Economic Adjustment Programme</a> , there are no additional recommendations for Ireland. |

| <br><b>EL</b> | <u>Country Specific Recommendations 2012</u>  | <u>Assessment of implementation of CSR 2012<br/>(based on COM staff documents)</u> | <u>Country Specific Recommendations 2013</u>  |
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|  | 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. |  | To avoid duplication with measures set out in the <a href="#">Economic Adjustment Programme</a> , there are no additional recommendations for Greece. |


| <b>ES</b><br> | <u>Country Specific Recommendations 2012</u><br><b>MIP: 1, 3, 4, 5, 8</b>  | <u>Assessment of implementation of CSR 2012</u><br><u>(based on COM staff documents)</u>  | <u>Country Specific Recommendations 2013</u><br><b>MIP: 1, 2, 3, 4, 5, 7, 8, 9</b>   |
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|  | <p>1. Deliver an annual <b>average structural fiscal effort of above 1,5 % of GDP over the period 2010-13</b> 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 <b>strictly apply the new provisions of the Budgetary Stability Law</b> regarding transparency and control of budget execution and continue improving the timeliness and accuracy of budgetary reporting at all levels of government. <b>Establish an independent fiscal institution</b> 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><b>Only partially implemented.</b></p> <p>Spain has implemented a structural effort in 2012 and 2013 which, account taken of the unexpected adverse economic developments compared to when the Council recommendation was issued, is in line with the EDP recommendation. However, Spain will not meet the nominal budgetary targets established in the Council Recommendation of 10 July 2012. The provisions of the Budgetary Stability Laws regarding the envisaged early warning and corrective mechanisms to limit deviations from the budgetary targets of the Autonomous Communities have not been implemented in a fully transparent, timely, and effective way. Progress has been made with respect to budgetary reporting at central, regional, and social security levels by publishing monthly budgetary execution data on national accounts basis. The submission of the draft law providing for the setting up of an independent fiscal authority was submitted to the Council of Ministers in April 2013; contrary to initial expectations the authority is unlikely to be fully operational in the 2014 budgetary procedure.</p> | <p>1. Deliver the <b>structural fiscal effort as required</b> by the Council recommendation under the EDP to ensure <b>correction of the excessive deficit by 2016</b>. To this end, implement the measures adopted in the 2013 budget plans at all levels of government, <b>reinforce the medium-term budgetary strategy with sufficiently specified structural measures for the years 2014-16</b>. A durable correction of the fiscal imbalances is predicated upon the credible implementation of ambitious structural reforms which would increase the adjustment capacity and boost potential growth and employment. After achieving the correction of the excessive deficit, pursue the structural adjustment at an appropriate pace so as to reach the <b>medium term objective by 2018</b>. Ensure a strict and transparent enforcement of the preventive and corrective measures provided for in the Budgetary Stability Organic Law. <b>Establish an independent fiscal authority before the end of 2013</b> to provide analysis, advice and monitor compliance of fiscal policy with national and EU fiscal rules. Improve the efficiency and quality of public expenditure at all levels of government, and conduct a systematic review of major spending items by March 2014. <b>Increase the cost-effectiveness of the health-care sector</b>, while maintaining accessibility for vulnerable groups, for example by reducing hospital pharmaceutical spending, strengthening coordination across types of care and improving incentives for an efficient use of resources. Take measures to reduce the outstanding amount of government arrears, avoid their further accumulation and regularly publish data on outstanding amounts. <b>Adopt the dis-indexation law</b> to reduce the degree of price inertia in public expenditures and revenues, in time to have</p> |

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|  |  | it in force by the beginning of 2014 and consider additional steps to limit the application of indexation clauses. Finalise by end-2013 the regulation of the sustainability factor so as to ensure the long-term financial <b>stability of the pension system</b> , including by increasing the effective retirement age by aligning retirement age or pension benefits to changes in life expectancy.  |
| 2. Ensure that the <b>retirement age</b> is rising in line with life expectancy when regulating the sustainability factor foreseen in the recent pension reform and underpin the <b>Global Employment Strategy for Older Workers</b> with concrete measures to develop lifelong learning further, improve working conditions and foster the reincorporation of this group in the job market. | <p><b>Some progress.</b></p> <p>In early 2013, access to early and partial retirement was curbed. An experts group has been set up to assess the sustainability factor, but a proposal on the technical details is still pending.</p> <p>The 2012-2014 Global Employment Strategy for Older Workers has not yet been underpinned by concrete measures, except for some progress in the recognition and accreditation of professional competencies based on work experience and formal and non-formal learning and revision of the rules on combining work and pension entitlements.</p>  |  |
| 3. Introduce a <b>taxation system</b> 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><b>Partially implemented.</b> With effect from September 2012, VAT rates were increased (the standard rate from 18% to 21%, and the reduced rate from 8% to 10%). The scope of application of the standard VAT rate was also extended (second set of measures in November 2012).</p> <p>New environmental taxes (on electricity generation) were introduced in 2013.</p> <p>A 1% reduction in employers' social security contributions in 2013 and 2014 previously announced was postponed until further notice due to the challenge of fiscal consolidation. The abolition of mortgage payment deductibility was adopted in December 2012.</p> | 2. Conduct a systematic <b>review of the tax</b> system by March 2014. Consider further limiting tax expenditure in direct taxation, explore the scope to further limit the application of the reduced VAT rates and take additional steps in environmental taxation, notably as regards excise duties and fuel taxes. Take further measures to address the debt bias in corporate taxation. Intensify the fight against the shadow economy and undeclared work, |
| 4. Implement the reform of <b>the financial sector</b> , in particular complement the on-going restructuring of the banking sector by addressing the situation of remaining weak institutions, put forward a   | <b>Implementation is ongoing in the framework of the bank recapitalisation programme.</b>  | 3. Implement the <b>financial sector programme</b> for the recapitalisation of the financial institutions, including the measures promoting non-bank intermediation adopted in November 2012.  |

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|  | 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><b>5.</b> Implement the <b>labour market reforms</b> and take additional measures to increase the effectiveness of active labour market policies by improving their targeting, by increasing the use of training, advisory and job matching services, by strengthening their links with passive policies, and by strengthening coordination between the national and regional public employment services, including sharing information about job vacancies.</p>  | <p><b>Partially implemented</b></p> <p>Implementation of the 2012 labour market reform continues; its impact will be subject to an evaluation currently being developed by the government.</p> <p>The Royal Decree-Law of 13 July 2012 on measures to ensure budget stability and promote competitiveness has strengthened the links between active and passive labour market policies, tightening job-search conditionality and revising conditions for unemployment assistance.</p> <p>New measures were taken in the area of ALMPs, namely as regards youth unemployment and the links between ALMPs and PLMPs. Further reform is considered urgent to increase employability.</p>   | <p><b>4.</b> Finalise the evaluation of the 2012 <b>labour market reform</b> covering the full range of its objectives and measures by July 2013, and present amendments, if necessary, by September 2013. Adopt the 2013 national Employment Plan by July 2013 and enact swiftly a result-oriented reform of active labour market policies, including by strengthening the targeting and efficiency of guidance. Reinforce and modernise <b>public employment services</b> to ensure effective individualised assistance to the unemployed according to their profiles and training needs. Reinforce the effectiveness of re-skilling training programmes for older and low-skilled workers. Fully operationalize the <b>Single Job Portal</b> and speed up the implementation of public-private cooperation in placement services to ensure its effective application already in 2013.</p> |
|  | <p><b>6.</b> Review spending priorities and reallocate funds to support <b>access to finance for small and medium-sized enterprises</b> (SMEs), research, innovation and young people. Implement the <b>Youth Action Plan</b>, 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><b>Partially implemented.</b></p> <p>The Youth Employment and Entrepreneurship Strategy 2013-2016 (in the pipeline) will encompass around 100 short, medium and long-term measures to support education and training, counterbalance youth unemployment and enhance entrepreneurship, with an overall budget of 3.5 billion.</p> <p>Measures to fight ESL have been maintained in 2012 in cooperation with the Autonomous Communities, but funding is no longer provided in the 2013 budget. The main objective of the draft Organic Law for the Improvement of Quality in Education (LOMCE) is also fight against ESL.</p> <p>The 2012 labour market reform significantly amended the contract for training and apprenticeship, and foundations were laid to launch a dual vocational training system (Royal Decree 1529/2012 of November 2012). The 2013 NRP does not provide for the reallocation of public</p> | <p><b>5.</b> Implement and monitor closely the effectiveness of the measures to <b>fight youth unemployment</b> set out in the Youth Entrepreneurship and Employment Strategy 2013-2016, for example through a Youth Guarantee. Continue with efforts to increase the <b>labour market relevance of education</b> and training, to reduce early school leaving and to enhance life-long learning, namely by expanding the application of dual vocational training beyond the current pilot phase and by introducing a comprehensive monitoring system of pupils' performance by the end of 2013.</p>   |

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|  |   | spending to research and innovation, where no progress has been made since 2009.   |  |
|  | <p><b>7. Improve the employability of vulnerable groups</b>, 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>  | <p><b>Limited progress.</b></p> <p>The 2012 labour market reform presented a set of general measures tending to promote employability, but failed to take a specific approach to support the active inclusion in the labour market of those furthest away from the labour market. No additional measures have been announced since the reform, except for the revision and extension of the 40 PREPARA programme until unemployment rates fall below 20 %. Spain also approved a National Strategy for the Social Inclusion of the Roma Population 2012-2020 and an Action Plan on Drugs 2013-2016, but budget allocations are yet to be confirmed.</p> <p>Limited progress was made on measures to tackle child poverty and improve the efficiency of family support services, although the approval in April 2013 of the Second National Strategic Plan for Children and Adolescents 2013-2016 (PENIA II) gives a positive signal.</p> | <p><b>6. Adopt and implement the necessary measures to reduce the number of people at risk of poverty and/or social exclusion</b> by reinforcing active labour market policies to improve employability of people further away from the labour market and by improving the targeting and increasing efficiency and effectiveness of support measures including quality family support services.</p>  |
|  | <p><b>8. Take additional measures to open up professional services</b>, 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><b>Limited progress.</b></p> <p>Submission of the draft Law on Professional Services has been repeatedly delayed. The Entrepreneurship Plan was announced in February 2013 and confirmed in the NRP 2013. The measures announced are being formally adopted and should contribute to introducing more dynamism into the economy.</p> <p>Measures adopted in December 2012 (e.g. taxes on electricity generation), and more announced in February 2013 (e.g. revised support for renewable energy sources) are intended to reduce the electricity tariff deficit in 2013 and to finance the remainder from the state budget. Additional systemic measures are needed.</p>  | <p><b>7. Urgently adopt and implement the draft Law on Market Unity</b> and speed up all complementary actions needed for its swift implementation. Ensure the effectiveness, autonomy and independence of the newly created regulatory authority. By the end of 2013, adopt and implement the Law on professional associations and services, so as to remove any unjustified restriction to the access and exercise of professional activities, and the Law on Entrepreneurship. Regroup and concentrate support schemes for the internationalisation of firms. Reduce the number and shorten <b>licensing procedures</b>, including for industrial activities, and spread the use of the "express licence" approach to activities other than retail. Review <b>insolvency frameworks</b> for companies and individuals, including through limiting personal liability of</p> |

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|  |  |  | <p>entrepreneurs and easing second chances for failed businesses. Remove <b>unjustifiable restrictions</b> to the establishment of large-scale retail premises. By March 2014, review the effectiveness of the regulatory framework to support the development of the housing rental market.</p> <p><b>8.</b> Tackle the <b>electricity tariff</b> deficit by adopting and implementing a structural reform of the electricity sector by the end of 2013. Intensify efforts to complete the electricity and gas interconnections with neighbouring countries. Reduce the contingent liability for public finances stemming from unprofitable transport infrastructure. Set up an independent observatory to inform the assessment of future major <b>infrastructure projects</b>. Take measures to ensure effective competition in freight and passenger rail services.</p> |
|  |  |  | <p><b>9.</b> Adopt in line with the presented timetable the <b>reform of the local administration</b> and define by October 2013 a plan to enhance the efficiency of the overall <b>public administration</b>. Adopt and implement the on-going reforms to enhance the <b>efficiency of the judicial system</b>.</p>  |


| <br>FR | <u>Country Specific Recommendations 2012</u><br>MIP: 2, 4, 5   | <u>Assessment of implementation of CSR 2012</u><br><u>(based on COM staff documents)</u>  | <u>Country Specific Recommendations 2013</u><br>MIP: 1, 2, 3, 4, 5, 6   |
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|   | <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 <b>correction of the excessive deficit by 2013</b> 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 <b>make sufficient progress towards the MTO</b>, 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 <b>pension system</b> and take additional measures if needed.</p> | <p><b>Some progress</b></p> <p>Although the authorities took additional consolidation measures shortly after they took office to secure the 4.5% target for 2012, the deficit eventually came out at 4.8% of GDP. As far as 2013 is concerned, the budget was based on a deficit target of 3% of GDP. However, the deficit will likely stay well above the reference threshold and the stability programme now aims at 3.7% of GDP. The Commission spring forecast projected the deficit to reach 3.9%.</p> <p>Regarding the pension system, the latest projections by the Pensions Advisory Council point to large deficits by 2020. The decision to reinstate retirement at 60 for some categories of workers goes against the recommendation. Furthermore, this measure is financed by higher social security contributions, hence further increasing the already high tax burden on labour.</p> | <p>1. Reinforce and pursue the budgetary strategy in 2013. Enhance the credibility of the adjustment by specifying by autumn 2013 and implementing the necessary measures for the year 2014 and beyond to ensure a <b>correction of the excessive deficit in a sustainable manner</b> by 2015 at the latest and the achievement of the structural adjustment effort specified in the Council recommendations under the EDP. Use all windfall gains for deficit reduction. A durable correction of the fiscal imbalances requires a credible implementation of ambitious structural reforms to increase the adjustment capacity and boost growth and employment. Maintain a growth-friendly fiscal consolidation course and further increase the efficiency of public expenditure, in particular by proceeding as planned with a review of spending categories across all sub-sectors of general government. Take action through the forthcoming decentralisation law to achieve <b>better synergies and savings between central and local government levels</b>. After the correction of the excessive deficit, pursue the structural adjustment effort at an adequate pace so as to <b>reach the MTO by 2016</b>. Take measures by the end of 2013 to bring the <b>pension system into balance in a sustainable manner</b> no later than 2020, for example by adapting indexation rules, by increasing the full-pension contribution period, by further increasing the effective retirement age by aligning retirement age or pension benefits to changes in life expectancy and by reviewing special schemes, while avoiding an increase in employers' social contributions, and increase the <b>cost-effectiveness of healthcare expenditure</b>, including in the areas of pharmaceutical spending.</p> |



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|  | <p>2. Introduce further reforms to combat <b>labour market segmentation</b> 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 <b>ensure that any development in the minimum wage is supportive of job creation and competitiveness</b>; take actions to increase adult participation in lifelong learning.</p> | <p><b>Some progress</b></p> <p>A national agreement was reached by social partners on 11 January. This agreement has two main strands. It offers new rights to employees and increases the flexibility of the labour contract for employers. The implementing draft law was presented to the Parliament in April and definitely adopted by mid-May. The agreement reached is a step in the right direction. At this stage, the measures included in the agreement are in line with the CSR as they address partly labour market segmentation and reduce the uncertainties of dismissals.</p> <p>On the other hand, the discretionary hike in the minimum wage decided in July 2012, although limited, goes clearly against the recommendation. Despite the reforms undertaken, the French participation rate of adults in lifelong learning remains below the EU average. The planned transfer of additional lifelong learning competences to the Regions provides an opportunity to address the weaknesses of the current system.</p> | <p>2. Ensure that the <b>reduction in the labour cost</b> resulting from the 'credit d'impôt compétitivité et emploi' yields the planned amount and that no other measure will offset its effect. Take further action to lower the cost of labour, in particular through further measures to reduce employers' social-security contributions, in association with social partners. Ensure that <b>developments in the minimum wage are supportive of competitiveness and job creation</b>, taking into account the existence of wage support schemes and social contribution exemptions.</p> <p>6. Implement fully and without delay the January 2013 inter-professional agreement, in consultation with the social partners. Take further action to combat <b>labour-market segmentation</b>, in particular to address the situation of interim agency workers. Launch urgently a <b>reform of the unemployment benefit system</b> in association with the social partners and in accordance with national practices to ensure sustainability of the system while ensuring that it provides adequate incentives to return to work. Enhance the employment rate of older workers and stimulate their participation in the labour market. Take specific action to improve the employment perspective of older unemployed people in particular through specific counselling and training. <b>Increase adult participation in lifelong learning</b>, especially of the least qualified and of the unemployed. Ensure that public employment services effectively deliver individualised support to the unemployed and that <b>active labour market policies</b> effectively target the most disadvantaged. Take further measures to improve the transition from school to work through, for example, a Youth Guarantee and promotion of apprenticeship.</p> |
|  | <p>3. Adopt <b>labour market measures</b> 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; <b>step up active labour market policies</b> and ensure that public employment services are more effective in delivering individualised support.</p>                      | <p><b>Some progress</b></p> <p>500000 generation contracts are expected to be created within the next five years to promote the creation of jobs for young workers along with the retention of seniors in employment. Specifically targeted toward deprived areas, the 'emplois d'avenir' scheme plans to offer 150000 jobs in the public sector to young people by the end of 2014. A reform of apprenticeship and lifelong learning was announced for the end of 2013 which would aim to improve the vocational training system and encourage training for jobseekers.</p> <p>Regarding the public employment service, the announced plan to increase staffing is positive but</p>   |  |


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|  |   | insufficient to address the increasing number of unemployed people.  |   |
|  | <p><b>4. Take further steps to introduce a more simple and balanced taxation system</b>, 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); <b>review the effectiveness of the current reduced VAT rates</b> in support of growth and job creation.</p> | <p><b>Substantial progress</b></p> <p>The tax credit introduced as part of the Pact on competitiveness is financed by an increase in VAT rates, by environmental taxation adjustments (still to be defined) and by additional savings (idem). It is therefore consistent with the recommendation to shift taxation from labour to less distortive forms of taxation, including consumption and environmental taxes, although part of the measures are still to be specified in sufficient detail. Concerns may be raised on the effect of the tax credit on the incentives to hire or maintain in employment low- rather than high-skilled people. In addition, the government has taken further measures to reduce tax expenditures for both personal income tax and corporate income tax. In particular, specific attention has been paid to the need to reduce the incentive to increase debt but at the same time, incentives to equity investment seem to have been reduced. Regarding the reduced VAT rates, the intermediate rate will be increased by 3 pps.</p> | <p><b>5. Pursue efforts to simplify the tax system and improve its efficiency</b>, while ensuring continuity of tax rules over time. Take additional measures to remove the debt bias in corporate taxation. Step up efforts to reduce and streamline personal and corporate income tax expenditures while reducing statutory rates; <b>bring reduced VAT rates closer to the standard rate and remove inefficient reduced rates</b>. Take further measures shifting the tax burden from labour to environmental taxation or consumption.</p>   |
|  | <p><b>5. Pursue efforts to remove unjustified restrictions on regulated trades and professions</b>, 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>   | <p><b>Limited progress</b></p> <p>No significant progress has been recorded on this recommendation, with the exception of a major electricity interconnection project under construction between France and Spain. In the context of the planned reform of the rail system, there is also room for progress to ensure the necessary independence of the infrastructure manager to guarantee fair and non-discriminatory access to the network to all operators in both freight and passenger transport. On regulated sectors and professions, despite a few noticeable exceptions (including veterinaries, lawyers and accountants), no progress has been recorded in the removal of restrictions, in particular in the retail sector.</p>   | <p><b>3. Take further measures to improve the business environment</b> and develop the innovation and export capacity of firms, in particular SMEs and enterprises of intermediate size. In particular, launch the announced <b>simplification initiative of the regulatory framework</b>, and improve the framework conditions for innovation, by enhancing technology transfer and the commercial exploitation of research, including through a reorientation of the competitiveness poles.</p> <p><b>4. Take action to enhance competition</b> in services; <b>remove unjustified restrictions</b> in the access to and exercise of professional services, notably regarding legal form, shareholding structure, quotas and territorial restrictions; take action to simplify authorisation for the opening of</p> |

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|  |  |  | trade outlets and to remove the ban of sales at a loss; remove regulated gas and electricity tariffs for non-household customers and strengthen interconnection capacity with neighbouring countries; in the railway sector, open domestic passenger transport to competition. |
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| <br>IT | <u>Country Specific Recommendations 2012</u><br>MIP: 1, 4, 5, 6   | <u>Assessment of implementation of CSR 2012</u><br><u>(based on COM staff documents)</u>   | <u>Country Specific Recommendations 2013</u><br>MIP: 1, 2, 3, 4, 5, and 6  |
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|   | <p>1. Implement the budgetary strategy as planned, and ensure that the <b>excessive deficit is corrected in 2012</b>. Ensure the planned structural primary surpluses so as to put the <b>debt- to-GDP ratio on a declining path by 2013</b>. Ensure adequate progress towards the MTO, while meeting the expenditure benchmark and making sufficient progress towards compliance with the debt reduction benchmark.</p>  | <p><b>Some progress.</b><br/> On 10 April, the government presented the new Economic and Financial Planning Document (DEF) for 2013-17, with a worsened economic and budgetary outlook. The deficit reached 3.0% of GDP in 2012 (EDP deadline set by the Council). The government deficit is planned to decrease slightly to 2.9% of GDP in 2013, to allow for the liquidation of commercial debt of around 0.5% of GDP, and to fall to 1.8% in 2014, 1.5% in 2015, 0.9% in 2016 and 0.4% in 2017. The deficit targets as from 2015 will require some additional consolidation measures. Also due to the payment of commercial debt, the debt is projected to rise to 130.4% of GDP this year and fall steadily thereafter, to 117.3% in 2017.</p>   | <p>1. Ensure that the <b>deficit remains below 3% of GDP in 2013</b>, by fully implementing the adopted measures. Pursue the structural adjustment at an appropriate pace and through growth-friendly fiscal consolidation so as to <b>achieve and maintain the MTO as from 2014</b>. Achieve the planned structural primary surpluses in order to put the very high debt-to-GDP ratio on a steadily declining path. Continue pursuing a durable improvement of the efficiency and quality of public expenditure by fully implementing the measures adopted in 2012 and taking the effort forward through regular in depth spending reviews at all levels of government.</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 <b>coordination across levels of government</b>, 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 <b>improving the absorption and management of EU funds</b>, in particular in the South of Italy.</p> | <p><b>The part dedicated to the balanced budget rule has been fully addressed, while some progress has been made towards addressing the recommendation on public expenditure and structural funds.</b> In line with the CSR, the secondary legislation related to the introduction of a balanced budget rule in the Italian Constitution was adopted in December 2012, in broad consistency with the EU strengthened fiscal framework. A spending review law was adopted last August and complemented by measures to cut the costs of elected bodies and further expenditure reshuffling provisions in the December 2012 budget law for 2013-15. As regards the implementation of the Cohesion Action Plan, while the part of the recommendation regarding absorption has seen positive developments, the management issue, especially in the south of Italy, remains unaddressed.</p> | <p>2. Ensure timely implementation of on-going reforms by swiftly adopting the necessary enacting legislation, following it up with concrete delivery at all levels of government and with all relevant stakeholders, and monitoring impact. Reinforce the efficiency of public administration and <b>improve coordination between layers of government</b>. Simplify the administrative and regulatory framework for citizens and business and reduce the duration of case-handling and the high levels of litigation in civil justice, including by fostering out-of-court settlement procedures. Strengthen the legal framework for the repression of corruption, including by revising the rules governing limitation periods. Adopt structural measures to improve the <b>management of EU funds</b> in the southern regions with regard to the 2014-2020 programming period.</p> |

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| <p>3. Take further action to <b>address youth unemployment</b>, 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 <b>promote labour mobility</b>. Take measures to <b>reduce tertiary education dropout rates</b> and fight early school leaving.</p>   | <p><b>Some progress.</b></p> <p>Some measures have been taken to tackle early school leaving and tertiary education dropout rates and to adapt the supply of high-level skills to labour market needs, yet they are still insufficient. Nationwide recognition of skills and qualifications has been implemented through the national system for the certification of skills. Several measures have been introduced to favour the creation of innovative start-ups and the recruitment of high-skilled young people but their scope is limited and some of them still lack implementing legislation.</p>   | <p>4. Ensure the effective implementation of the <b>labour market and wage setting reforms</b> to allow better alignment of wages to productivity. Take further action to foster <b>labour market participation</b>, especially of women and young people, for example through a Youth Guarantee. Strengthen <b>vocational education and training</b>, ensure more efficient public employment services and improve career and counselling services for tertiary students. <b>Reduce financial disincentives</b> for second earners to work and improve the provision of care, especially child- and long-term care, and out-of-school services. Step up efforts to <b>prevent early school leaving</b>. Improve school quality and outcomes, also by enhancing teachers' professional development and diversifying career development. Ensure effectiveness of social transfers, notably through better targeting of benefits, especially for low-income households with children.</p> |
| <p>4. Adopt the <b>labour market reform</b> 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 <b>wage setting framework</b> in order to contribute to the alignment of wage growth and productivity at sector and company level.</p> | <p><b>Some progress.</b></p> <p>In line with the CSR, an ambitious reform of the labour market was adopted in June 2012, but still requires the adoption of implementing decrees for some of its provisions. Although measures were adopted to encourage female participation in the labour market, their scope remains narrow. Furthermore, the measures regarding the provision of childcare and elderly care remain at a general stage and have limited scope. On wage bargaining, an agreement was signed by the social partners in 2012. It promotes decentralised bargaining and acknowledges the need to link wages not only to inflation but also to the economic and competitive conditions of the country of the sector concerned.</p> |   |
| <p>5. Pursue the <b>fight against tax evasion</b>. 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 <b>tax burden away from capital and labour to property and consumption as well as environment</b>.</p>   | <p><b>Limited progress.</b></p> <p>After the ambitious measures adopted over 2010-11, progress towards further shifting the tax burden from labour and capital to property and consumption has been limited. Relevant measures were contained in a draft enabling law for reforming the tax system to improve tax compliance, simplify the tax system and enhance its efficiency but remained at the stage of projects since the law has not been adopted by the Italian Parliament. Italy has implemented targeted measures to enhance the tools available to the tax administration to efficiently</p>   | <p>5. <b>Shift the tax burden from labour and capital to consumption, property and the environment in a budgetary neutral manner</b>. To this purpose, review the scope of VAT exemptions and reduced rates and of direct tax expenditures, and reform the cadastral system to align the tax base of recurrent immovable property to market values. <b>Pursue the fight against tax evasion, improve tax compliance and take decisive steps against the shadow economy and undeclared work.</b></p>   |

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|  |   | tackle tax evasion.   |  |
|  | <p><b>6. Implement the adopted liberalisation and simplification measures in the services sector.</b> 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> | <p><b>Some progress.</b></p> <p>Important measures have been adopted to improve market functioning in services and network industries. Yet, risks can be identified as regards the proper implementation of some of them, the liberalisation of local public services halted, and areas for further action remain, for instance in fuel distribution, insurance, and postal services. Besides, only limited progress has been registered regarding the improvement of infrastructure in the electricity and gas sectors.</p> <p>Work on administrative simplification has continued. However, the draft law on simplification expected to supplement this effort has not been approved by the Italian Parliament.</p> <p>Several tools were introduced to ease firms' access to finance and improve research and innovation, but remain limited in scope.</p> | <p><b>6. Ensure the proper implementation of the measures aiming at market opening in the services sector. Remove remaining restrictions in professional services</b> and foster market access for instance in the provision of local public services where the use of <b>public procurement should be advanced</b> (instead of direct concessions). Pursue deployment of the measures taken to improve market access conditions in network industries, in particular by setting- up the Transport Authority as a priority. <b>Upgrade infrastructure capacity</b> with focus on energy interconnections, intermodal transport and high-speed broadband in telecommunications, also with a view to tackling the North-South disparities.</p> |
|  |   |   | <p><b>3. Extend good corporate governance practices to the whole banking sector</b> conducive to higher efficiency and profitability to support the flow of credit to productive activities. Take forward the on-going work as regards <b>asset-quality screening</b> across the banking sector and <b>facilitate the resolution of non-performing loans</b> on banks' balance sheets. <b>Promote further the development of capital markets</b> to diversify and enhance firms' access to finance, especially into equity, and in turn foster their innovation capacity and growth.</p>   |

| <p>CY</p>  | <p><u>Country Specific Recommendations 2012</u></p> <p>MIP: 1, 2, 7</p>   | <p><u>Assessment of implementation of CSR 2012</u><br/><u>(based on COM staff documents)</u></p>  | <p><u>Country Specific Recommendations 2013</u></p>   |
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|   | <p>1. Take additional measures to achieve a durable correction of the <b>excessive deficit</b> 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><b>Partially implemented.</b></p> <ul style="list-style-type: none"> <li>› The Cypriot authorities had adopted a series of packages of fiscal consolidation measures in 2011, embedded in the 2012 Budget Law. In addition, they adopted fiscal measures for 2012-14 outlined in the MoU with the 2013 Budget Law and the MTBF for 2013-2015. Based on the Commission's Spring Forecast 2013, the general government deficit for 2012 is projected at -6.3% of GDP.</li> <li>› The Law on Regulation of the Medium-Term Budgetary Framework and Fiscal Rules (MTBF Law) was adopted with the 2013 Budget Law.</li> <li>› The value of several indicators, such as the administrative costs of tax collection and the share of the shadow economy, indicate a need and scope to improve both tax compliance and the tax administration. The 2013 Budget Law included special provisions to pursue the effort to fight against fraud and tax evasion.</li> </ul> | <p>To avoid duplication with measures set out in the <a href="#">Economic Adjustment Programme</a>, there are no additional recommendations for Cyprus.</p> |
|   | <p>2. Further harmonise the <b>supervisory and the regulatory framework for the cooperative credit societies in line with the standards applied for the commercial banks</b>. 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><b>Partially implemented.</b></p> <ul style="list-style-type: none"> <li>› As per MoU, Cyprus committed to integrating the supervision of the cooperative credit institutions into the Central Bank of Cyprus and legislation will be passed to strengthen governance of these institutions (by June 2013 as per MoU).</li> <li>› As per MoU, Cyprus committed to increase the minimum Core Tier 1 capital ratio from the present 8% to 9%, with financial institutions to comply by the end of December 2013 (ii) undercapitalised institutions in comparison with a 9% core tier 1 capital target under stress conditions will be required to submit funding plans and to increase their capital to the extent possible by recourse to</li> </ul>  |   |

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|  |   | private investors; (iii) institutions borrowing from the Central Bank of Cyprus (CBC) will establish and submit quarterly medium-term funding plans, taking into consideration the expected path of deleveraging that would avoid asset fire sales or a credit crunch; (iv) CBC will review its prudential regulations on liquidity by end-2014.  |  |
|  | <b>3.</b> Further improve the <b>long-term sustainability</b> 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. | <b>Partially implemented.</b><br>› The Cyprus authorities took measures for a comprehensive pension reform encompassing both the Government Employees Pension System (GEPS) and the General Social Insurance System (GSIS). In January 2013, the statutory retirement age was increased by two years for the GEPS, while the minimum age for entitlement to an unreduced pension is being raised by 6 month per year in the GSIS to bring it into line with the statutory retirement age. In addition, under the GEPS, the indexation of all pension benefits has been changed from wages to prices, while pension benefits are to be calculated on a pro-rata basis taking into account life-time service. Lump-sum payments accruing under the GEPS from 1 January 2013 onwards are now taxed as personal income with public sector employees having the option of turning the lump sum into an annuity. Pensions under both systems are frozen for the programme period. |  |
|  | <b>4.</b> Complete and implement the <b>national healthcare system</b> without delay, on the basis of a roadmap, which should ensure its financial sustainability while providing universal coverage.   | <b>Partially implemented.</b><br>› In June 2012, the Council of Ministers approved a proposal for the implementation of the National Health Insurance System (NHIS).<br>› As per MoU, an actuarial study is being carried out to assess the potential fiscal risks and benefits of the planned introduction of the National Health System (foreseen for 2015) and is to be available by the end of June 2013.   |  |
|  | <b>5.</b> Improve the <b>skills of the workforce</b> to reinforce their occupational mobility towards activities of high  | <b>Partially implemented.</b>   |  |




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|  | <p>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>› In order to improve the skills of the workforce and to promote productivity, Cyprus set up four post-secondary institutions which opened in September 2012. It also further developed and is gradually implementing a competence-based system of vocational qualifications (SVQ). To improve basic skills and address the drop-out and ESL, Cyprus started the implementation in October 2012 of the New Modern Apprenticeship (NMA) system directed to young people between 14-25 years old.</p> <p>› With a view to promoting employment, a new incentive scheme was set up for the employment of the long-term unemployed while two schemes were envisaged to support youth employment</p> |  |
|  | <p><b>6. Remove unjustified obstacles in services markets,</b> 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>   | <p><b>Partially implemented.</b></p> <p>› Cyprus adopted legislation for eliminating: (i) restrictions for the exercise of the profession of opticians; (ii) minimum tariffs for tourist guides and tourism agencies; and (iii) barriers to entry to the technical professions as a legal person.</p> <p>› Cyprus committed to removing obstacles in services markets by easing the requirements related to entry and establishment, and by eliminating requirements concerning minimum tariffs.</p>   |  |
|  | <p><b>7. Improve competitiveness, including through the reform of the system of wage indexation,</b> 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><b>Partially implemented.</b></p> <p>› Cyprus adopted legislation to reform the wage indexation mechanism (COLA) by reducing the frequency of its adjustment, introducing a mechanism for its automatic suspension during adverse economic conditions and moving from full to partial indexation of 50% of past inflation. COLA is suspended in the public sector until end-2015 while the new system is expected to be extended also to the private sector by means of a tripartite agreement.</p>   |  |


| LV | <u>Country Specific Recommendations 2012</u>  | <u>Assessment of implementation of CSR 2012<br/>(based on COM staff documents)</u>   | <u>Country Specific Recommendations 2013</u>  |
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|    | <p>1. Ensure planned progress towards the <b>timely correction of the excessive deficit</b>. 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 <b>make sufficient progress towards the MTO</b>, and to respect the expenditure benchmark. <b>Use better than expected cyclical revenue to reduce government debt.</b></p> | <p><b>Significant progress.</b></p> <p>The general government deficit decreased in 2012 to the level of 1.2% of GDP, which is significantly better than was envisaged in the 2012 programme. As the structural balance improved substantially in 2012, partly reflecting measures to increase tax efficiency, Latvia also reached its MTO in that year. However, contrary to the CSR, the 2012 budget was not implemented as envisaged, as the standard VAT rate was lowered in mid-2012 and the supplementary budget raising expenditure targets were adopted in the second half of the year.</p> | <p>1. Reinforce the budgetary strategy to <b>ensure that the deviation from the MTO only reflects the incremental impact of the systemic pension reform</b>. Within this strategy, reduce taxation of low-income earners by <b>shifting taxation to areas such as excise duties, recurrent property taxes and/or environmental taxes</b>. Maintain efforts to <b>improve tax compliance and combat the shadow economy</b>. Continue <b>strengthening the fiscal framework through effective implementation of the Fiscal Discipline Law</b> and multi-annual budgeting.</p> |
|    | <p>2. Implement measures to <b>shift taxation away from labour</b> to consumption, property, and use of natural and other resources while improving the structural balance; <b>ensure adoption of the Fiscal Discipline Law</b> and develop a medium term budgetary framework law to support the long-term sustainability of public finances; <b>restore contributions to the mandatory funded private pension scheme at 6 % of gross wages</b> from 2013.</p>  | <p><b>Some progress.</b></p> <p>Latvia has reduced taxes on labour and plans further steps in this regard in 2014-15. However, focus on low-wage earners has been insufficient. The Fiscal Discipline Law was approved by parliament in January 2013 and entered into force on 6 March 2013, and the first medium-term budget law under the new framework is expected in the second half of 2013. Latvia has increased contributions to the mandatory funded private pension scheme, although the increases were more gradual than prescribed by the CSR.</p>                                      |   |
|    | <p>3. Take measures to <b>reduce long-term and youth unemployment</b> 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.</p>  | <p><b>Some progress.</b></p> <p>Latvia has partially implemented the CSR by taking the following steps: increased coverage of ALMPs; development of new ALMP measures; modernisation of VET schools; and others. However, since youth and long-term unemployment is still high, further work is necessary. Also, several measures are at an early stage of implementation. There is scope for further action as regards promoting apprenticeships within VET and</p>   | <p><b>3. Tackle long-term and youth unemployment</b> by increasing coverage and effectiveness of active labour market policies and targeted social services. Improve the employability of young people, for example through a Youth Guarantee, establish comprehensive career guidance, implement reforms in the field of vocational education and training, and improve the quality and accessibility of apprenticeships.</p>  |

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|  |   | implementing the planned VET reforms.  |  |
|  | <b>4. Tackle high rates of poverty and social exclusion by reforming the social assistance system</b> to make it more efficient, while better protecting the poor. Ensure better targeting and increase incentives to work.   | <b>No progress.</b><br>There has been little progress in addressing the problems of social assistance and some steps (abolishing central government financing for GMI; reduction of the GMI amount) go against the spirit of the CSR.  | <b>4. Tackle high rates of poverty</b> by reforming social assistance for better coverage, by improving benefit adequacy and activation measures for benefit recipients. Reinforce the delivery mechanisms to effectively reduce child poverty.  |
|  | <b>5. Further encourage energy efficiency</b> 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.   | <b>Some progress.</b><br>Progress achieved on liberalising the electricity market. Some progress was identified regarding energy network connections, as essential projects are under development in cooperation with other countries in the region. Limited progress was achieved on gas infrastructure and markets, and regional discussions continue. Some progress was made on energy efficiency. Delivery of the 40% RES target by 2020 requires further work, including on the set-up of a stable and predictable support framework. | <b>6. Continue improving energy efficiency,</b> especially of residential buildings and district heating networks, provide incentives for reducing energy costs and shift consumption towards energy-efficient products. <b>Improve connectivity with EU energy networks</b> and take steps towards liberalisation of the natural gas market, including provision of clear rules for third-party access to storage capacities. |
|  | <b>6. Take measures to improve management and efficiency of the judiciary,</b> in particular to reduce the backlog and length of procedures. Take steps to improve the insolvency regime and the mediation laws.  | <b>Some progress.</b><br>The following measures have been taken to improve the efficiency of the judiciary. The results of these measures cannot be assessed at such an early stage. However, the following challenges have not been addressed: the need to ensure proper interpretation of the insolvency law; continuing measures that further improve the quality of the judiciary; and establishing a comprehensive policy on human resources.   | <b>7. Complete pending reforms to improve the efficiency and quality of the judiciary</b> and reduce the backlog and length of proceedings, including as regards insolvency. Put in place a comprehensive human resources policy and take steps to implement the mediation laws and streamline the arbitration court system.   |
|  | <b>7. Continue reforms in higher education,</b> 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 | <b>Some progress.</b><br>The Ministry of Education and Science has proposed several reforms. Although most reform plans are at an early stage, they appear ambitious and relevant. Further efforts are needed to modernise and rationalise research and research institutions, based on independent external assessment. Such assessment should support  | <b>5. Implement the planned reforms of higher education</b> concerning, in particular, the establishment of a quality-rewarding financing model, reform of the accreditation system, consolidation of the institutions and promotion of internationalization. Take further steps to modernise research institutions based on the on-going independent assessment.  |

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|  | rationalising research institutions. | future national and EU investment. Substantial efforts are necessary to develop and apply the Smart Specialisation Strategy promoting innovation at company level and providing links to research and education. |  |
|  |                                      |  | <b>2.</b> Continue to use micro and macro prudential policies to prevent possible vulnerabilities that could arise from future <b>credit growth and non-resident banking activities.</b> |


| <br><b>LT</b> | <u>Country Specific Recommendations 2012</u>   | <u>Assessment of implementation of CSR 2012<br/>(based on COM staff documents)</u>  | <u>Country Specific Recommendations 2013</u>  |
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|  | <p>1. Ensure planned progress towards the <b>timely correction of the excessive deficit</b>. 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, <b>ensuring an adequate structural adjustment effort to make sufficient progress towards the MTO</b>, including meeting the expenditure benchmark, while minimising cuts in growth-enhancing expenditure. In that respect, review and consider increasing those <b>taxes</b> that are least detrimental to growth, such as housing and environmental taxation, including introducing car taxation, while <b>reinforcing tax compliance</b>. Strengthen the fiscal framework, in particular by introducing enforceable and binding expenditure ceilings in the medium-term budgetary framework.</p> | <p><b>Some progress.</b></p> <p>The general government deficit in 2012 for EDP purposes was reduced to 3.0% when taking into account the cost of systemic pension reform. A decision on EDP abrogation is pending and the structural effort was far below requirements. While the downward trend of the structural deficit is visible, progress towards the MTO according to the latest Commission forecast is below the minimum requirement of 0.5pp for 2013. No major progress on taxation was made in 2012. An announced review of taxes in 2013 is welcome, but has yet to bring concrete results. The effect of (minor) changes in housing taxation and an extended strategy to improve tax compliance remains to be assessed by the authorities. The adoption of fiscal stability laws has been postponed and further action on the creation of credible expenditure ceilings is needed.</p> | <p>1. Ensure growth friendly fiscal consolidation and implement the budgetary strategy as planned, pursuing a <b>structural adjustment effort that will enable Lithuania to reach the medium-term objective</b>. Prioritise growth-enhancing expenditure. Continue to strengthen the fiscal framework, in particular by securing enforceable and binding expenditure ceilings in the medium-term budgetary framework. <b>Review the tax system</b> and consider increasing those taxes that are least detrimental to growth, such as recurrent property and environmental taxation, including introducing car taxation, while continuing to reinforce tax compliance.</p> |
|  | <p>2. Adopt legislation on a comprehensive <b>pension system reform</b>. 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.</p>  | <p><b>Limited progress.</b></p> <p>Legal amendments to complementary pension savings adopted in late 2012 are a step in the right direction and now need to be properly implemented. However, legislation on a more comprehensive pension system reform has yet to be introduced.</p>   | <p>2. Adopt and implement legislation on a comprehensive <b>pension system reform</b>. Align the statutory retirement age with life expectancy, restrict access to early retirement, establish clear rules for the indexation of pensions, and promote the use of complementary savings schemes while ensuring implementation of ongoing reforms. Underpin pension reform with measures that promote the employability of older workers.</p>  |
|  | <p>3. Tackle high <b>unemployment</b>, 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</p>  | <p><b>Limited progress.</b></p> <p>The government took numerous steps to tackle youth unemployment, with some positive results. ALMP measures were not refocused. The promotion of apprenticeships remains insufficient. Changes to the labour code were limited and will</p>   | <p>3. <b>Tackle high unemployment</b> amongst low-skilled and long-term by refocusing resources on active labour market policies while improving their coverage and efficiency. Improve the employability of young people, for example through a <b>Youth Guarantee</b>, enhance the implementation and</p>   |

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|  | <p>agreements, dismissal provisions and flexible working time arrangements.</p>  | <p>have no major impact. Further reforms are necessary. Initial reforms to support liberalisation of fixed-term contracts in the private sector were undertaken but are not sufficient.</p>  | <p>effectiveness of apprenticeship schemes, and address persistent skill mismatches. Review the appropriateness of labour legislation with regard to flexible contract agreements, dismissal provisions and flexible working time arrangements, in consultation with social partners.</p>                          |
|  | <p><b>4.</b> Increase work incentives and strengthen the links between the <b>social assistance reform and activation measures</b>, in particular for the most vulnerable, to reduce poverty and social exclusion.</p>   | <p><b>Limited progress.</b><br/>The implementation of cash social assistance reform measures has been launched. Increases in wages of social workers and the general minimum wage are the only policy actions with a potential poverty impact. There is no clear strategy or action plan to reduce poverty and social exclusion.</p>   | <p><b>4.</b> Implement concrete targeted measures to reduce <b>poverty and social exclusion</b>. Continue strengthening the links between the cash <b>social assistance reform and activation measures</b>.</p>  |
|  | <p><b>5.</b> Implement all aspects of the <b>reform package of state-owned enterprises</b> 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.</p> | <p><b>Significant progress.</b><br/>The government implemented large parts of the SOE reform. However, it still has to complete the proposed actions on the separation of commercial and non-commercial activities of SOEs, guidelines on separation of ownership and regulatory functions, and to ensure 100% compliance with reporting requirements.</p>   | <p><b>5.</b> Complete the implementation of the <b>reform of the State-Owned Enterprises</b>, in particular to ensure separation of ownership and regulatory functions, and closely monitor compliance with the requirements of the reform.</p>  |
|  | <p><b>6.</b> Step up measures to improve the <b>energy efficiency</b> of buildings, including through removing disincentives and a rapid implementation of the holding fund. Promote <b>competition in energy networks</b> by improving interconnectivity with the Member States for both electricity and gas.</p>   | <p><b>Limited progress.</b><br/>On energy efficiency, steps have been taken to speed up renovations. While Lithuania has removed legal impediments for granting specific loans to certain categories of owners, the measures taken are not sufficient to address the overall recommendation as regards energy efficiency.<br/>On energy networks, steps have been taken but the rate of implementation remains to be seen.</p> | <p><b>6.</b> Step up measures to improve the <b>energy efficiency</b> of buildings, including through removing disincentives and rapid implementation of the holding fund. Promote <b>competition in energy networks</b> by improving interconnectivity with other Member States for both electricity and gas.</p> |

| <br><b>LU</b> | <u>Country Specific Recommendations 2012</u>   | <u>Assessment of implementation of CSR 2012<br/>(based on COM staff documents)</u>   | <u>Country Specific Recommendations 2013</u>  |
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|  | <p>1. Preserve a sound fiscal position by <b>correcting any departure from a MTO</b> 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 <b>budgetary strategy</b>, supported by sufficiently specified measures, for the year 2013 and beyond, including meeting the expenditure benchmark.</p> | <p><b>Some progress</b></p> <p>The general government deficit in 2012 is estimated to have deteriorated at 0.8% of GDP, from 0.2% of GDP in 2011. The structural balance is estimated at 0.1% of GDP, just below the MTO, chosen by the country, of a surplus of 0.5% of GDP. The growth rate of government expenditure, net of discretionary revenue measures, is estimated to have exceeded the expenditure benchmark in 2012, however, the deviation is considered not significant. In addition, given the consolidation package included in the budget for 2013, estimated at around 2% of GDP, the headline deficit in 2013 is expected to improve substantially and return in compliance with the MTO target. However, the correction is not sustainable yet. On a no-policy-change assumption, the deficit is projected to deteriorate in 2014 and the years after.</p> | <p>1. Preserve a sound fiscal position and <b>remain at the medium-term objective so as to ensure the long-term sustainability of public finances</b>, in particular by taking into account implicit liabilities related to ageing. Strengthen fiscal governance by adopting a medium-term budgetary framework covering the general government and including multi-annual expenditure ceilings, and by putting in place the independent monitoring of fiscal rules.</p> |
|  |  |  | <p>2. Take measures to address the debt-bias in <b>corporate taxation</b> and extend the application of the standard VAT rate.</p>  |
|  | <p>2. Strengthen the proposed <b>pension reform</b> 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 <b>retirement age</b>, including through linking the statutory retirement age to life expectancy, in order to ensure the long-term sustainability of the pension system.</p>                  | <p><b>Limited progress</b></p> <p>The pension reform adopted in December 2012 is considered a light reform and should be followed by stronger reforms over the next few years. Despite the fact that age-related expenditure, and in particular pension outlays, is projected to increase, with unchanged policies, from 17.8% of GDP in 2010 to 29.8% of GDP in 2060, the highest increase in the EU, there is a clear lack of ambition and the situation would need to be reevaluated against the long-term challenges. The measures taken on lifelong learning should help increase labour market participation of older workers and should be</p>  | <p>3. Curb <b>age-related expenditure</b> by making long-term care more cost effective, in particular through a stronger focus on prevention, rehabilitation and independent living, strengthening the recently adopted <b>pension reform</b>, taking additional measures to curb early retirement and increasing the effective retirement age by aligning retirement age or pension benefits to change in life expectancy.</p>   |

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|   | continued.  |  |
| <p>3. Take further steps to reform, in consultation with the social partners and in accordance with national practice, the <b>wage bargaining and wage indexation system</b>, 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.</p> | <p><b>Limited progress</b></p> <p>The measures taken by Luxembourg so far are only temporary: the indexation system is being modulated between 2012 and 2014. Luxembourg should take further measures to reform the system in itself to avoid future loss of competitiveness. A better link between wages and productivity could be achieved by introducing in a permanent way a link between wage and productivity and sectoral differentiation in the wage bargaining system.</p>   | <p>4. Beyond the current freeze, take <b>further structural measures</b>, in consultation with the social partners and in accordance with national practices, to reform the <b>wage setting system, including wage indexation</b>, to improve its responsiveness to productivity and sectoral developments and labour market conditions and foster competitiveness. Step-up efforts to <b>diversify the structure of the economy</b>, fostering private investment in research, notably by developing cooperation between public research and firms.</p> |
| <p>4. Continue efforts to reduce <b>youth unemployment</b> 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.</p>                                | <p><b>Limited progress</b></p> <p>Luxembourg has taken a number of relevant measures to tackle youth unemployment which seem to point in the right direction but so far these have been only partially implemented.</p> <p>There is still the need of a coherent strategy. A stronger collaboration between administration levels (state, municipalities) and a more efficient use of employment services would produce better results. In order to address the skill mismatch, there is a need to provide guidance to pupils to an earlier age, already in the low secondary school.</p> | <p>5. Step up efforts to reduce <b>youth unemployment</b> by improving the design and monitoring of active labour market policies. Strengthen general and <b>vocational education</b> to better match young people's skills with labour demand, in particular for people with migrant background. Reinforce efforts to increase the participation rate of older workers, including by improving their employability through lifelong learning.</p>   |
| <p>5. Ensure that the targets for <b>reducing greenhouse gas emissions</b> from non-ETS (Emissions Trading System) activities will be met, in particular by increasing taxation on energy products.</p>   | <p><b>Limited progress</b></p> <p>Excise duties on diesel were increased in 2012. The 2013 budget law includes an increase of the excise duties on diesel oil. Incentives for the purchase of emission-efficient cars have been restricted and now apply to a smaller group of vehicles than they previously did. The CO<sub>2</sub>-related vehicle tax only provides moderate incentives for the purchase of clean vehicles.</p>  | <p>6. Step up measures to meet the target for <b>reducing non-ETS greenhouse gas emissions</b>, in particular by increasing taxation on energy products for transport.</p>   |




| <br><b>HU</b> | <u>Country Specific Recommendations 2012</u><br>MIP: 1, 3, 4, 5   | <u>Assessment of implementation of CSR 2012</u><br><u>(based on COM staff documents)</u>  | <u>Country Specific Recommendations 2013</u><br>MIP: 1, 2, 3, 4, 5, 7   |
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|  | <p><b>1. Correct the excessive deficit</b> 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 <b>debt reduction</b> benchmark. Also to help mitigate the accumulated macroeconomic imbalances, put the public debt ratio on a firm downward path.</p> | <p><b>Broadly implemented.</b></p> <p>Most of the budgeted consolidation measures and additional ones announced in the course of the year were rigorously implemented in 2012, which was the deadline for Hungary to bring the excessive deficit to an end. As a result, the deficit came out at 1.9% of GDP, well below the Council endorsed deficit target of 2.5% of GDP. The structural effort, corrected for the effects of revised potential output growth and windfall revenues compared to the time the Council recommendation was issued, is estimated to be at 3.5% of GDP in 2012, which substantially exceeds the recommended effort of 2.4% of GDP. The public debt ratio decreased from 81.4% in 2011 to 79.2% GDP in 2012.</p> <p>On 13 May, following the release of the 2013 spring forecast, the government adopted further corrective measures of 0.3% of GDP for 2013 and 0.7% of GDP for 2014 (in gross terms) in order to keep the deficit both in 2013 and 2014 below the 3% of GDP reference value.</p> | <p><b>1. Implement a credible and growth friendly fiscal strategy</b> by specifying the necessary measures focusing on expenditure savings and preserve a sound fiscal position in <b>compliance with the medium-term objective over the programme horizon</b>. Building on the above steps, put the <b>general government debt</b> ratio on a firm downward path, also with a view to mitigating the accumulated macroeconomic imbalances. Enhance the <b>medium-term budgetary framework</b> by making it more binding and by closely linking it to numerical rules. Broaden the mandatory remit and enhance the transparency of the <b>Fiscal Council</b>, including through systematic ex- post monitoring of compliance with numerical fiscal rules as well as the preparation of regular macro-fiscal forecasts and budgetary impact assessments of major policy proposals.</p> |
|  | <p><b>2. Revise the cardinal law on economic stability</b> by putting the new <b>numerical rules</b> into a binding medium-term budgetary framework. Continue to broaden the analytical remit of the <b>Fiscal Council</b>, with a view to increasing the transparency of public finances.</p>  | <p><b>Partially implemented.</b></p> <p>There was no change to the medium-term budgetary framework (MTBF), which is purely indicative. Hungary would benefit from a revised general (central) government numerical rule whose design focuses on the structural deficit, as this would be more conducive to effective multi-year planning. The Hungarian authorities are of the opinion that the numerical rules (linking debt reduction to economic growth) that are currently in place are well-founded and appropriately strict, but they acknowledged that strengthening the MBTF is necessary to make it binding, at least to some</p>  |   |


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|  |   | <p>extent (related amendments are planned to be submitted to parliament before the autumn session, as part of the package on transposing the Directive on the minimum requirements of national budgetary frameworks). As for institution building, an amendment to the cardinal law was adopted in September 2012 and reinforced the Fiscal Council (FC) both in terms of tasks and resources. It is crucial to monitor whether the on-going reinforcement of the FC will make it strong enough to be able to perform its analytical role.</p>  |   |
|  |   |   | <p><b>2. Help restore normal lending</b> to the economy primarily by improving the capacity for capital accumulation in the <b>financial sector</b>, inter alia by lowering the extra burden currently imposed on it. Improve portfolio quality by <b>removing bad assets</b> from banks' balance sheets, closely consult stakeholders on new policy initiatives and make sure that new policy measures do not increase moral hazard among borrowers. Enhance <b>financial regulation and supervision</b>, notably by giving more effective emergency powers to the Hungarian Financial Supervisory Authority and by establishing a bank resolution regime.</p> |
|  | <p><b>3. Make the taxation of labour</b> 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 <b>participation in the labour market</b>, particularly by expanding childcare and pre-school facilities.</p> | <p><b>Partially implemented.</b></p> <p>The Job Protection Act, which came into force in 2013, is an adequate step towards last year's CSR because it lowers social contributions for certain categories of workers, thus reducing the tax wedge. However, it does not efficiently target low-income earners as the criteria are not set on the basis of income. Therefore, a non-negligible share of lower productivity workers does not have access to the programme. At the same time, as a no-income ceiling is applied, certain groups of high income earners are also eligible for contribution cuts. In 2012, the government implemented several measures aimed at further improving the labour market participation of women.</p> | <p><b>3. Ensure a stable, more balanced and predictable corporate tax system.</b> Streamline corporate taxation and minimise distortions of resource allocation created by sector-specific taxes, so as to foster growth and employment. Continue making <b>taxation of labour</b> more employment-friendly by alleviating the tax burden on low-wage earners, inter alia by refining the eligibility criteria for the Job Protection Act, and by <b>shifting taxation</b> away to environmental taxes. Fully implement and step up the already announced measures to improve tax compliance and reduce the cost of tax compliance.</p>                         |

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|  | <p>4. Strengthen the capacity of the <b>Public Employment Service</b> 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.</p>   | <p><b>Partially implemented.</b></p> <p>The government strengthened active labour market policies and the capacities of the Public Employment Service.</p> <p>However, the public work scheme is still a major pillar of employment policy. Although training was planned as part of the scheme, it was poorly implemented</p> <p>While a system to monitor the social inclusion strategy was presented, mid-term targets were set only in part. Although a number of targeted measures are available to help disadvantaged people get access to education, mainstream education policy does not seem to appropriately address the needs set out in the National Social Inclusion Strategy.</p>  | <p>4. Address <b>youth unemployment</b>, for example through a <b>Youth Guarantee</b>. Strengthen active labour market policy measures and enhance the client profiling system of the <b>Public Employment Service</b>. Reduce the dominance of the public works scheme within employment measures and strengthen its activation elements. Reinforce training programmes to boost participation in lifelong learning. Continue to expand <b>child-care facilities</b> to encourage women's participation. Ensure that the objective of the National Social Inclusion Strategy is mainstreamed in all policy fields in order to reduce poverty, particularly among children and Roma.</p> |
|  | <p>5. Implement measures envisaged to reduce the <b>administrative burden</b>. Ensure that public procurement and the legislative process support market competition and ensure a stable regulatory and <b>business-friendly environment</b> 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.</p> | <p><b>Partially implemented</b>, but no progress was achieved on improving the business environment. The system of applying special taxes to certain sectors and the restriction of large-scale retail enterprises has been maintained. Entry costs in the service sector have increased further. The bulk of measures aimed at reducing the administrative burden has slowed down somewhat. By mid-2013, 93 measures have been adopted, but further delay is expected.</p> <p>Low level of competition in public procurement persists, although a new law entered into force on 1 January 2012. The new innovation strategy was drafted and a consultation was launched at the end of 2012.</p> | <p>5. Create a <b>supportive business environment</b>, in particular restore an attractive environment for <b>foreign direct investors</b>, by making the regulatory framework more stable and by fostering market competition. Ensure the full implementation of measures envisaged to <b>reduce the administrative burden</b>, improve competition in <b>public procurement</b> and take further adequate measures to tackle corruption. <b>Strengthen further the judiciary</b>. Remove recently introduced barriers in the services sector, including in retail services. Provide targeted incentives to support innovative enterprises.</p>   |
|  | <p>6. Prepare and implement a <b>national strategy on early school-leaving</b> by ensuring adequate financing. Ensure that the implementation of the <b>higher education reform</b> improves access to education for disadvantaged groups.</p>   | <p><b>Limited progress.</b></p> <p>The early school leaving strategy will only be ready at the end of 2013. The government has started implementing some measures embedded in the National Public Education Act, but results are not visible yet. Exclusion from quality education is a major problem for Roma children. The number of</p>   | <p>6. Implement a national strategy on <b>early school-leaving</b> and ensure that the <b>education system</b> provides all young people with labour-market-relevant skills, competences and qualifications. Improve access to inclusive mainstream education, for those with disadvantages, in particular Roma. Support the transition between different stages of education and towards the labour market.</p>   |

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|  |  | <p>Roma majority schools has increased, but their quality of education remains below average.</p> <p>The tertiary education strategy and thus the entire higher education reform is not clear on its mid-term strategy and the uncertainties around state-financed places and additional loan schemes further limit access of disadvantaged youth to tertiary education.</p> <p>Hungary's tertiary attainment rate is increasing, due to the substantial expansion of higher education between 2002 and 2010. However, current policy developments might lead to a decrease of the number of students in higher education.</p> | <p>Implement a <b>higher-education reform</b> that enables greater tertiary attainment, particularly by disadvantaged students.</p>   |
|  | <p><b>7. Reform the public transport system</b> to make it more cost efficient. Increase the cross-border capacities of the electricity network, ensure the independence of the <b>energy regulator</b> and gradually abolish regulated energy prices.</p> | <p><b>Limited progress.</b></p> <p>Implementation of the reform in the transport sector is slow at best. The policy response is not sufficiently clear and precise, which raises questions about the reform's credibility. Increasing cross-border electricity capacities is ongoing. Independence of the National Regulator is still an issue, as are regulated prices, with decisions on which powers should be re-delegated to the regulator being made at ministry level.</p>  | <p><b>7. Gradually abolish regulated energy prices</b> while ensuring the effective protection of economically vulnerable consumers. Take further steps to ensure the <b>independence of the national regulator</b>. Ensure the financial sustainability of <b>state owned enterprises</b> in the transport sector by reducing operating costs and increasing revenues.</p> |

|  <b>MT</b> | <u>Country Specific Recommendations 2012</u>  | <u>Assessment of implementation of CSR 2012<br/>(based on COM staff documents)</u>   | <u>Country Specific Recommendations 2013</u><br><b>MIP: 2, 5</b>  |
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|   | <p>1. Reinforce the budgetary strategy in 2012 with additional permanent measures so as to ensure <b>adequate progress towards the MTO and keep the deficit below 3 % of GDP without recourse to one-offs</b>. Continue fiscal consolidation at an appropriate pace thereafter, so as to <b>make sufficient progress towards the MTO</b>, including meeting the expenditure benchmark, and towards compliance with the <b>debt reduction</b> 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. <b>Increase tax compliance and fight tax evasion</b>, and reduce incentives towards indebtedness in corporate taxation.</p> | <p><b>Not been implemented.</b></p> <p>The 2012 outturn was worse than targeted and above the 3%-of-GDP reference value. In addition, not all measures that underpin the strategy from 2013 onwards are outlined in the programme. The programme plans a broadly appropriate pace of adjustment towards the medium-term objective and a gradual decrease in the debt ratio after 2014. By contrast, the Commission services' 2013 spring forecast projects only a marginal improvement in the structural balance and a continued upward path for the debt ratio in 2013-14. No concrete action has been taken to reform the fiscal framework or to address the debt bias in corporate taxation.</p> <p>Some progress has been made in increasing tax compliance and fighting tax evasion, but concrete results are yet to materialise.</p> | <p>1. Specify and implement the measures needed to achieve the annual structural adjustment effort set out in the Council recommendations under the EDP in order to <b>correct the excessive deficit by 2014</b> in a sustainable and growth-friendly manner, limiting recourse to one- off/temporary measures. After correcting the excessive deficit, pursue the structural adjustment effort at an appropriate pace so as to <b>reach the MTO by 2019</b>. Put in place a binding, rule-based multiannual fiscal framework in 2013. Ensure concrete delivery of measures taken to <b>increase tax compliance</b> and fight tax evasion, and take action to <b>reduce the debt bias in corporate taxation</b>.</p>  |
|   | <p>2. Take action, without further delay, to ensure the long-term sustainability of the <b>pension system</b>, comprising an increase in the effective retirement age, including through a significant acceleration of the progressive increase in the statutory <b>retirement</b> 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.</p>   | <p><b>No progress in the implementation of this CSR in terms of the pension system reform.</b></p> <p>There has been only limited progress in terms of attracting older workers onto the labour market. The fiscal incentives put in place, together with the current pension reform, have helped in increasing the labour market participation of older workers, although this age group still has vast growth potential. An active ageing strategy is yet to be delivered.</p>   | <p>2. To ensure the long-term sustainability of public finances, continue to <b>reform the pension system</b> to curb the projected increase in expenditure, including by measures such as accelerating the increase in the statutory retirement age, increasing the effective retirement age by aligning retirement age or pension benefits to changes in life expectancy and by encouraging private pension savings. Take measures to increase the employment rate of older workers by finalising and implementing a <b>comprehensive active ageing strategy</b>. Pursue <b>health-care reforms</b> to increase the cost-effectiveness of the sector, in particular by strengthening public primary care provision. Improve the efficiency and reduce the length of <b>public procurement</b> procedures.</p> |
|   | <p>3. Take steps to reduce the high rate of <b>early</b></p>  | <p><b>Some progress</b></p>  | <p>3. Continue to pursue policy efforts to reduce <b>early</b></p>  |


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|  | <p><b>school leaving.</b> Pursue policy efforts in the <b>education system</b> to match the skills required by the <b>labour market</b>. Enhance the provision and affordability of more childcare and out-of-school centres, with the aim of reducing the gender employment gap.</p>   | <p>The measures against early school leaving already in place seem to be pointing in the right direction. However, the issue remains an area of concern and scope for further action remains. Due to the long-term nature of many measures to promote skill matching, it is too early to assess their impact, but the general principles seem to go in the right direction. Malta is also positively addressing the issue of childcare provision and out-of-school facilities.</p>               | <p><b>school leaving</b>, notably by setting up a comprehensive monitoring system, and increase the labour-market relevance of education and training to address skills gaps, including through the announced <b>reform of the apprenticeship system</b>. Continue supporting the improving labour-market participation of women by promoting flexible working arrangements, in particular by enhancing the provision and <b>affordability of child-care</b> and out-of-school centres.</p>    |
|  | <p><b>4.</b> Take the necessary further steps to reform, in consultation with social partners and in accordance with national practices, the <b>system of wage bargaining and wage indexation</b>, so as to better reflect developments in labour productivity and reduce the impact of prices of imports on the index.</p>   | <p><b>No progress.</b></p>   |  |
|  | <p><b>5.</b> In order to reduce <b>Malta's dependence on imported oil</b>, 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.</p> | <p><b>Limited progress.</b></p> <p>Although the focused structural funds on energy production covered by the ETS and the RES headline target, it moved them away from tackling non-ETS sectors where emissions are increasing beyond the committed target.</p> <p>It is expected that the Interconnector project will be implemented by the end of 2013.</p> <p>Although Malta might face problems in implementing some of the wind projects, there is certainly scope to promote other RES.</p> | <p><b>4.</b> Continue efforts to <b>diversify the energy mix</b> and energy sources, in particular through increasing the take up of renewable energy and the timely completion of the electricity link with Sicily. Maintain efforts to <b>promote energy efficiency and reduce emissions</b> from the transport sector.</p>  |
|  | <p><b>6.</b> To strengthen the <b>banking sector</b>, 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.</p>   | <p><b>Some progress.</b></p> <p>The two national regulators, Central Bank of Malta and the Malta Financial Services Authority, have started talks on reforms of the Banking Act. The planned measures are relevant, but they are still at the drafting stage.</p>  | <p><b>5.</b> Take measures to further strengthen the provisions for loan-impairment losses in the <b>banking sector</b> to mitigate potential risks arising from exposure to the real estate market. Maintain policy effort to ensure <b>strict banking sector supervision</b>, including for the non-core domestic and internationally-oriented banks. Improve the overall efficiency of the <b>judicial system</b>, for example by reducing the time needed to resolve insolvency cases.</p> |

|  | <u>Country Specific Recommendations 2012</u>   | <u>Assessment of implementation of CSR 2012<br/>(based on COM staff documents)</u>   | <u>Country Specific Recommendations 2013</u><br><b>MIP: 2</b>  |
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|   | <p>1. Ensure timely and durable <b>correction of the excessive deficit</b>. To this end, fully implement the budgetary strategy for 2012 as envisaged. Specify the measures necessary to <b>ensure implementation of the 2013 budget with a view to ensuring the structural adjustment effort specified in the Council recommendations</b> under the excessive deficit procedure. Thereafter, ensure an <b>adequate structural adjustment effort to make sufficient progress towards the MTO</b>, including meeting the expenditure benchmark, and ensure sufficient progress towards compliance with the <b>debt reduction</b> benchmark whilst protecting expenditure in areas directly relevant for growth such as research and innovation, education and training. To this end, <b>after the formation of a new Government, submit an update of the 2012 Stability Programme</b> with substantiated targets and measures for the period beyond 2013.</p> | <p><b>Partially implemented</b></p> <p>The authorities fully implemented the budgetary strategy for 2012 and submitted an update of the 2012 Stability Programme. Herein, they specified substantiated targets and measures for the period 2013 and beyond, that were also foreseen to bring the general government deficit below 3% of GDP in 2013 and to ensure the structural adjustment effort specified in the Council recommendation under the excessive deficit procedure. However, according to the Commission Services' 2013 Spring Forecast the deficit is expected to reach 3.6% of GDP, due to unfavourable economic developments. In 2014 the deficit is expected to remain above the 3% of GDP threshold without additional measures. According to the 2013 stability programme sufficient progress towards the MTO, including meeting the expenditure benchmark and sufficient progress towards compliance with the debt reduction benchmark, are not guaranteed.</p> | <p>1. Reinforce and implement the budgetary strategy, supported by sufficiently specified measures, for the year 2014 and beyond to ensure a timely <b>correction of the excessive deficit by 2014</b> in a sustainable manner and achieve the structural adjustment effort specified in the Council recommendations under the EDP. <b>Protect expenditure in areas directly relevant for growth</b> such as education, innovation and research. After the correction of the excessive deficit, <b>pursue the structural adjustment effort</b> that will enable the Netherlands <b>reaching the medium-term objective by 2015</b>.</p> |
|   | <p>2. Take measures to increase the statutory <b>retirement age</b>, 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 <b>pension pillar</b> 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 <b>long-term care</b> and complement it with further measures to contain the increase in costs, in view of an ageing population.</p>  | <p><b>Partially implemented</b></p> <p>The statutory retirement age has been increased and will be linked to life expectancy. The lowering and eventual abolition of the partner allowance in the first-pillar pension is expected to have a positive effect on older workers participation in the labour market and might therefore stimulate an increase the effective retirement age.</p> <p>Loosening employment protection legislation and making unemployment benefits less generous is expected to increase older workers' labour mobility, and might therefore contribute to labour participation, the effective retirement age and the sustainability of public finances.</p>   | <p>3. Adjust the second <b>pension pillar</b>, in consultation with social partners, to ensure an appropriate intra- and inter-generational division of costs and risks. Underpin the gradual increase of the statutory <b>retirement age</b> with measures to increase the employability of older workers. Implement the planned reform of the <b>long-term care system</b> to ensure its cost-effectiveness and complement it with further measures to contain the increase in costs, with a view to ensure sustainability.</p>  |

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|  | <p>However, these reforms have been watered down or postponed based on the agreement reached with the social partners.</p> <p>Reforms to the second pension pillar, to mirror the increase in statutory retirement age are implemented.</p>   |   |
| <p><b>3. Enhance participation in the labour market</b>, 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.</p>  | <p><b>Partially implemented</b></p> <p>The Participation Act could reduce the number of people on benefits by stimulating them to work, and hence will contribute to budget savings.</p> <p>The phasing-out of the transferrable tax credit for single-breadwinner families is likely to contribute to the participation of second-income earners, although it is to be phased out very slowly</p> <p>The increase in the general worker tax credit should make work more attractive and thereby promote labour market participation.</p> <p>Loosening of employment protection legislation and making unemployment benefits less generous is expected to increase individual labour mobility, and ultimately contribute to labour market participation.</p> <p>However, these reforms have been watered down or postponed further to the agreement reached with the social partners.</p> | <p><b>4. Take further measures to enhance participation in the labour market</b>, particularly of people at the margin of the labour market. Continue to <b>reduce tax disincentives on labour</b>, including by phasing-out of transferable tax credits for second income earners. Foster labour market transitions and <b>address labour market rigidities</b>, including by reforming employment protection legislation and the unemployment benefit system.</p> |
| <p><b>4. Promote innovation</b>, private <b>R&amp;D</b> 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.</p> | <p><b>Good progress</b> in the implementation of the top sectors business strategy which addresses challenges for research and innovation mentioned in this CSR. However, in view of the latest budgetary measures, safeguarding of funding for fundamental research in line with priorities set out in the Annual Growth Survey does not appear certain.</p>   |   |
| <p><b>5. Take steps to gradually reform the housing market</b>, 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</p>                        | <p>The legislative changes on eligibility for mortgage interest deductibility are welcome as a first step in the right direction, but need to be stepped up for the stock of existing mortgages. The planned reforms for the rental housing market are equally relevant, but fall short of full implementation of the CSR.</p>  | <p><b>2. Step up efforts to gradually reform the housing market</b> by accelerating the planned reduction in <b>mortgage interest tax deductibility</b>, while taking into account the impact in the current economic environment, and by providing for a more market-oriented pricing mechanism in the <b>rental market</b>,</p>   |




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|  | the rental market, and (iii) for social housing, aligning rents with household income. |  | and by further relating rents to household income in the <b>social housing</b> sector. Refocus social housing corporations to support households most in need. |
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| <br>AT | <u>Country Specific Recommendations 2012</u>   | <u>Assessment of implementation of CSR 2012<br/>(based on COM staff documents)</u>   | <u>Country Specific Recommendations 2013</u>  |
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|   | <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 <b>a timely correction of the excessive deficit</b> and the achievement of the average annual <b>structural adjustment effort specified in the Council Recommendations under the EDP</b>. Thereafter, ensure an adequate structural adjustment effort to <b>make sufficient progress towards the MTO</b>, including meeting the expenditure benchmark.</p> | <p><b>Substantial progress</b></p> <p>Austria made substantial progress in reducing the deficit below 3 % this year.</p> <ul style="list-style-type: none"> <li>- Revenue raising measures in place.</li> <li>- The planned savings have been achieved in 2012.</li> </ul>   | <p>1. Implement the budget for the year 2013 as envisaged so as to correct the excessive deficit in a sustainable manner and <b>achieve the average annual structural adjustment effort specified in the Council recommendations under the Excessive Deficit Procedure</b>. After correction of the excessive deficit, pursue the structural adjustment effort at an appropriate pace so as to <b>reach the MTO by 2015</b>. Streamline fiscal relations between layers of government, for example simplifying the organisational setting and aligning spending and funding responsibilities.</p> |
|   | <p>2. Take further steps to strengthen the <b>national budgetary framework</b> 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><b>Some progress</b></p> <p>The recent agreement on a cost containment path and a common target system for the healthcare system is an important step towards more efficient use of resources. However, implementation will rely on a complex mechanism which constitutes a risk.</p> <p>No major reforms to the governance of the education system have been implemented. In order to achieve progress in this area a change of the constitution is required.</p>  |   |
|   | <p>3. Bring forward the harmonisation of the statutory <b>retirement age</b> 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><b>Partial implementation</b></p> <p>No action has been taken to bring forward the harmonisation of the statutory retirement age between men and women and to link the statutory retirement age to life expectancy. The reforms targeting early retirement and invalidity pension schemes have the potential to reduce early retirement over the medium term. The success will depend on effective implementation, in particular of the measures to improve the employability including 'professional rehabilitation'/re-skilling measures, for</p> | <p>2. Bring forward the harmonisation of pensionable age for men and women, increasing the effective retirement age by aligning <b>retirement age</b> or pension benefits to changes in life expectancy implement and monitor the recent reforms restricting access to early retirement and further improve older workers' employability in order to raise the effective retirement age and the employment rate of older workers.</p>   |


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|  |  | which substantial new funds have been allocated.  |   |
|  | <p><b>4. Take steps to reduce the effective tax and social security burden on labour</b> 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><b>Partial implementation</b></p> <p>No measures have been taken in order to shift taxation from labour towards tax bases less detrimental to GDP growth.</p> <p>Almost no measures have been taken to increase recurrent property taxation.</p> <p>In the area of environmental taxation, the CO<sub>2</sub>-based bonus/malus system for car registration tax was tightened and reimbursement to farms and regional bus operators was abolished. In addition the exemption from the tax for railway was terminated as of tax year 2013 and tax exemptions to service industry on the energy levy have been phased out.</p> <p>No new measures have been taken to reduce the gender pay gap.</p> <p>Some additional funds have been made available for childcare.</p> | <p><b>3. Take new measures to increase the labour market</b> participation of women, namely by further improving child care and long-term care services and address the high gender pay and pension gaps. Fully use the labour market potential of people with a migrant background by continuing to improve the recognition of their qualifications and their education outcomes. Reduce the <b>effective tax</b> and social security burden on labour for low-income earners in a budget-neutral way by relying more on other sources of taxation less detrimental to growth, such as recurrent property taxes.</p> |
|  | <p><b>5. Continue to implement measures to improve educational outcomes, especially of disadvantaged young people. Take measures to reduce drop-outs</b> from higher education.</p>  | <p><b>Partial implementation</b></p> <p>Austria has taken some measures, which have the potential to enhance education outcomes, but progress is slow.</p> <p>Some measures have been taken to reduce drop-outs from higher education, but a more comprehensive and strategic approach is still needed.</p>   | <p><b>5. Improve educational outcomes, in particular of disadvantaged young people, including by enhancing early childhood education and reducing the negative effects of early tracking. Further improve strategic planning in higher education and enhance measures to reduce drop-outs.</b></p>  |
|  |  |   | <p><b>4. Effectively implement the recent reforms of the health care system</b> to make sure that the expected cost efficiency gains materialise. Develop a financially sustainable model for the provision of long-term care and put a stronger focus on prevention, rehabilitation and independent living.</p>  |
|  | <p><b>6. Take further steps to foster competition</b>, in the services sectors, by removing barriers to market entry in the communications, transport and energy</p>   | <p><b>Partial implementation</b></p> <p>Austria has transposed the consumer-related provisions of the third internal energy market</p>  | <p><b>6. Further strengthen the powers and resources of the federal competition authority</b> and monitor the implementation of the competition law reform.</p>   |

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|  | <p>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>   | <p>package into law. New rules have simplified the switching procedures for electricity and gas consumers.</p> <p>Postal services: substantial progress with the replacement of mail delivery has been made, but the process has not been finalised.</p> <p>Austria has not taken any particular steps to foster competition in the rail markets.</p> <p>Restrictions on access to and exercise of the professions in the services sector persist in Austria,.</p> <p>A change of the competition law was recently adopted that will strengthen the powers of the Austrian Competition Authority.</p> | <p>Remove excessive barriers for service providers. This includes reviewing whether existing restrictions on entry and conduct in regulated professions are justified by general interest and fostering competition notably in the railway sector.</p> |
|  | <p><b>7.</b> 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 <b>financial sector</b> supervisors in other countries.</p> | <p><b>Some progress</b></p> <p>Progress has been made as regards the restructuring of (partially) nationalised banks (Volksbanken and Hypo Alpe Adria). Home-host supervisory coordination has been enhanced. Nevertheless, not all vulnerabilities have been reduced.</p>  | <p><b>7.</b> With a view to maintaining financial stability continue to closely oversee the nationalised and partly <b>nationalised banks</b> and speed up their <b>restructuring</b>.</p>   |


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|   | <p>1. Ensure planned progress towards the <b>correction of the excessive deficit</b>. To this end, fully implement the budget for the year 2012 and <b>achieve the structural adjustment effort specified in the Council recommendations under the EDP</b>. Thereafter, specify the measures necessary to ensure implementation of the <b>budgetary strategy</b> for the year 2013 and beyond as envisaged, ensuring an adequate structural adjustment effort to <b>make sufficient progress towards the MTO</b>, including meeting the expenditure benchmark. Minimise cuts in growth-enhancing expenditure in the <b>future and improve tax compliance</b>.</p> | <p><b>Limited progress</b></p> <p>Poland did not correct the excessive deficit in 2012, which came in at 3.9% of GDP. It made very limited progress in minimising cuts in growth enhancing expenditure as significant part of deficit reduction comes from cuts in investments. The same applies to tax compliance — tax compliance rules will be relaxed as, upon taxpayer's request, the tax authorities will have to reduce the tax advances payable and tax base will be broadened.</p> | <p>1. Reinforce and implement the budgetary strategy for the year 2013 and beyond, supported by sufficiently specified measures for both 2013 and 2014, to ensure a timely <b>correction of the excessive deficit by 2014 in a sustainable manner and the achievement of the fiscal effort specified in the Council recommendations under the EDP</b>. A durable correction of the fiscal imbalances requires credible implementation of ambitious structural reforms, which would increase the adjustment capacity and boost potential growth and employment. After the correction of the excessive deficit, pursue the structural adjustment effort that will enable Poland reaching the <b>medium-term objective by 2016</b>. With a view to <b>improving the quality of public finances</b> minimise cuts in growth-enhancing investment, reassess expenditure policies improving the targeting of social policies and increasing the cost effectiveness and efficiency of spending in the healthcare sector. Improve tax compliance, in particular by increasing the <b>efficiency of the tax administration</b></p> |
|   | <p>2. Speed up the reform of the fiscal framework by enacting legislation with a view to introducing a <b>permanent expenditure rule</b> by 2013. This rule should be consistent with the ESA. Take measures to strengthen the <b>mechanisms of coordination among the different levels of government</b> in the medium-term and annual budgetary processes.</p>  | <p><b>Limited progress</b></p> <p>The permanent expenditure rule is still pending and the government plans to enact it by the end of 2013. The current draft is not consistent with ESA. Very limited progress on strengthening mechanisms of coordination among different levels of government, government argues that no further effort required.</p>   | <p>2. Ensure the enactment of a <b>permanent expenditure rule in 2013 consistent with the rules of the European System of Accounts</b>. Take measures to strengthen annual and medium-term budgetary <b>coordination mechanisms among different levels of government</b>.</p>   |
|   | <p>3. To reduce <b>youth unemployment</b>, increase the availability of apprenticeships and work-based learning, improve the quality of vocational training and adopt the proposed <b>lifelong learning strategy</b>. Better match <b>education</b> outcomes with the needs of the labour market and improve the quality of</p>   | <p><b>Some progress</b></p> <p>While efforts have been undertaken to reduce youth unemployment, they should have been more ambitious given the scale of the challenge. Poland has introduced several reforms in the area of</p>   | <p>3. Strengthen efforts to reduce <b>youth unemployment</b>, for example through a Youth Guarantee, increase the availability of apprenticeships and work-based learning, strengthen cooperation between schools and employers and improve the quality of teaching.</p>  |

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| <p>teaching. To combat <b>labour market segmentation</b> and in-work poverty, limit excessive use of civil law contracts and extend the probationary period to permanent contracts.</p>  | <p>education and training. There need to be more efforts to enhance better cooperation between companies and schools and to raise the quality of the teaching offer. Improving the access to apprenticeships and work-based learning remains a priority. The adoption of the lifelong learning strategy is pending.</p>   | <p>Adopt the proposed <b>life- long learning strategy</b>. Combat in-work poverty and <b>labour market segmentation</b> including through better transition from fixed-term to permanent employment and by reducing the excessive use of civil law contracts.</p>  |
| <p><b>4.</b> Reinforce efforts to increase the <b>labour market participation of women</b> 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 <b>retirement</b> 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 <b>KRUS</b> to better reflect individual incomes.</p> | <p><b>Some progress</b></p> <p>The number of childcare places is growing, but the offer of nurseries remains far too low to satisfy the needs. Poland has set a target to offer a place in preschool education for every eligible child by 2016 but the funding to meet this target has not been increased. The Government proposal to extend the parental leave to 12 months could make it more difficult for mothers to come back onto the labour market and will also absorb substantial costs. A permanent and credible reform of KRUS still needs to be implemented. The draft Law reducing early retirement possibilities only for miners working underground has not yet been adopted.</p> | <p><b>4.</b> Continue efforts to increase <b>female labour market participation</b>, in particular by investing in affordable quality childcare and pre-school education, by ensuring stable funding and qualified staff. With a view to improving sectoral labour mobility, take permanent steps to reform the farmers' social security scheme <b>KRUS</b>. Phase out the special pension system for miners with a view to integrating them into the general scheme. Underpin the general pension reform with measures promoting the employability of older workers to <b>raise exit ages</b> from the labour market.</p> |
| <p><b>5.</b> Take additional measures to ensure an <b>innovation-friendly business environment</b>, 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.</p>   | <p><b>Limited progress</b></p> <p>The reform of science and higher education has been a step in the right direction but only partially addresses the problem of poor innovation performance of Polish companies through fostering science-industry cooperation. More holistic approach is needed linking efforts under research, innovation and industry policy. There are no new initiatives in terms of facilitating access to finance.</p>   | <p><b>5.</b> Take additional measures to ensure an <b>innovation-friendly business environment</b> by strengthening the links between research, innovation and industrial policy, by further developing revolving instruments and tax incentives and by better targeting existing instruments to the different stages of the innovation cycle.</p>   |
| <p><b>6.</b> Step up efforts to improve incentives for <b>investment in energy generation capacity</b> and energy efficiency in the whole energy chain, speed up the development of the <b>electricity grid, including cross-border interconnections</b>, eliminate obstacles in electricity cross border exchange, and strengthen <b>competition in the gas sector</b> by phasing out regulated prices and by creating a gas trading platform. Strengthen the role</p>  | <p><b>Some progress</b></p> <p>Most of the measures in this sector are only at the preparation stage and therefore the outcome is unclear. However, in both electricity and gas sector some progress has been noticed, with launch of some projects in development and upgrade of the electricity grid and gas trading platform opened in December 2012. Railway investment projects are</p>  | <p><b>6.</b> Renew and extend <b>energy generation capacity</b> and improve efficiency in the whole energy chain. Speed up and extend the development of the <b>electricity grid, including cross-border interconnections</b>, and eliminate obstacles in electricity cross border exchange. Reinforce <b>competition in the gas sector</b> by phasing out regulated prices. Strengthen the role and resources of the railway market regulator and ensure effective</p>  |

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|  | <p>and resources of the railway market regulator and ensure effective and swift implementation of <b>railway investment</b> projects. Reduce restrictions on professional services and simplify contract enforcement and requirements for construction permits.</p> | <p>still largely delayed</p> <p>Poland has set a serious reform agenda to eliminate or reduce qualification requirements for up to 230 professions, although the reform is behind schedule.</p> <p>Concerning energy efficiency, there was some progress in 2012 mainly as regards investments in energy efficiency of public buildings using support from ERDF. However, in the view of the large needs for energy efficiency improvements in all sectors of economy, it may be necessary to consider a major increasing of energy efficiency allocations under the future financial framework 2014-2020.</p> | <p>implementation of <b>railway investment</b> projects without further delay. Accelerate efforts to increase broadband coverage. Improve waste and water management.</p>   |
|  |   |  | <p><b>7.</b> Take further steps to improve the business environment by simplifying <b>contract enforcement</b> and requirements for construction permits and by reducing tax compliance costs. Adopt and implement the planned liberalisation of access to professional services.</p> |


| PT<br> | <u>Country Specific Recommendations 2012</u>   | <u>Assessment of implementation of CSR 2012<br/>(based on COM staff documents)</u> | <u>Country Specific Recommendations 2013</u>  |
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|   | 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. |  | To avoid duplication with measures set out in the <a href="#">Economic Adjustment Programme</a> , there are no additional recommendations for Portugal. |



|  | <u>Country Specific Recommendations 2012</u>   | <u>Assessment of implementation of CSR 2012<br/>(based on COM staff documents)</u> | <u>Country Specific Recommendations 2013</u>   |
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|   | 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. |  | <b>1. Complete the EU/IMF financial assistance programme.</b>  |
|   |  |  | <b>2. Ensure growth-friendly fiscal consolidation and implement the budgetary strategy for the year 2013 and beyond as envisaged, thus ensuring achievement of the medium-term objective by 2015.</b> Improve tax collection by implementing a comprehensive tax compliance strategy and fight undeclared work. In parallel, explore ways to increase reliance on environmental taxes. Continue the pension reform started in 2010 by equalising the pensionable age for men and women and by promoting the employability of older workers.  |
|   |  |  | <b>3. Pursue health sector reforms</b> to increase its efficiency, quality and accessibility, in particular for disadvantaged people and remote and isolated communities. Reduce the excessive use of hospital care including by strengthening outpatient care.  |
|   |  |  | <b>4. Improve labour market participation</b> , as well as employability and productivity of the labour force, by reviewing and strengthening active labour market policies, to provide training and individualised services and promoting lifelong learning. Enhance the capacity of the National Employment Agency to increase the quality and coverage of its services. To <b>fight youth unemployment</b> , implement rapidly the National Plan for Youth Employment, including for example through a Youth Guarantee. To alleviate poverty, improve the effectiveness and efficiency of |

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|  |  |  | social transfers with a particular focus on children. Complete the <b>social assistance reform</b> by adopting the relevant legislation and strengthening its link with activation measures. Ensure concrete delivery of the National Roma integration strategy.   |
|  |  |  | <b>5. Speed up the education reform</b> including the building up of administrative capacity at both central and local level and evaluate the impact of the reforms. Step up reforms in vocational education and training. Further align tertiary education with the needs of the labour market and improve access for disadvantaged people. Implement a national strategy on early school leaving focusing on better access to quality early childhood education, including for Roma children. Speed up the transition from institutional to alternative care for children deprived of parental care.   |
|  |  |  | <b>6. Strengthen governance and the quality of institutions and the public administration</b> , in particular by improving the capacity for strategic and budgetary planning, by increasing the professionalism of the public service through improved human resource management and by strengthening the mechanisms for coordination between the different levels of government. Significantly improve the quality of regulations through the use of impact assessments, and systematic evaluations. Step up efforts to accelerate the absorption of EU funds in particular by strengthening management and control systems and improving public procurement. |
|  |  |  | <b>7. Improve and simplify the business environment</b> in particular through reducing administrative burdens on SMEs and implementing a coherent e-government strategy. Ease and diversify access to finance for SMEs. Ensure closer links between research, innovation and industry, in particular by prioritising research and development activities that have the potential to attract private investment. Step up efforts to improve the quality,  |

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|  |  |  | <p>independence and efficiency of the judicial system in resolving cases and fight corruption more effectively.</p>  |
|  |  |  | <p><b>8.</b> Promote <b>competition</b> and efficiency in network industries, by ensuring the independence and capacity of national regulatory authorities, and by continuing the corporate governance reform of state-owned enterprises in the energy and transport sectors. Adopt a comprehensive long-term transport plan and improve broadband infrastructure. Continue to remove regulated gas and electricity prices and improve energy efficiency. Improve the cross-border integration of energy networks and speed up implementation of the gas interconnection projects.</p> |

| <b>SI</b><br> | <u><a href="#">Country Specific Recommendations 2012</a></u><br><b>MIP: 3, 6, 7</b>   | <u><a href="#">Assessment of implementation of CSR 2012</a></u><br><u><a href="#">(based on COM staff documents)</a></u>   | <u><a href="#">Country Specific Recommendations 2013</a></u><br><b>MIP: 1,2,3,4,5,6,7,8,9</b>   |
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|  | <p>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 <b>excessive deficit in a sustainable manner by 2013</b> 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 <b>make sufficient progress towards an appropriate MTO</b> 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.</p> | <p><b>Partially implemented.</b></p> <p>The May 2012 Act on Balancing Public Finances underpinning the 2012 supplementary budget has contributed to a significant improvement in the structural balance by 2.0% of GDP in 2012 and its positive budgetary implications continue into 2013. The 2013 budget introduced new revenue increasing measures.</p> <p>According to the Commission's 2013 Spring Forecast, Slovenia is not expected to correct the excessive deficit by 2013. Limited progress has been achieved in other components of CSR1. The authorities have not set an appropriate MTO. Parliament adopted a constitutional basis for establishing a general government budget balance/surplus rule in structural terms, but no other action has been taken to strengthen the medium-term budgetary framework.</p> | <p>1. For the year 2013 and beyond, implement and reinforce the budgetary strategy, supported by sufficiently specified structural measures, to ensure the correction of the <b>excessive deficit by 2015 in a sustainable manner and the improvement of the structural balance specified in the Council recommendation under the EDP</b>. After the correction of the excessive deficit, pursue a structural adjustment effort that will enable Slovenia to <b>reach the MTO which should be set in line with the Stability and Growth Pact by 2017</b>. Durable correction of the fiscal imbalances requires the implementation of ambitious structural reforms, which would increase the adjustment capacity of the economy and boost potential growth and employment. Safeguard growth-friendly spending, adopt measures to improve tax compliance and implement measures on the expenditure side underpinned by systematic reviews of public expenditure at all government levels. To improve the credibility of consolidation, complete the adoption of a general government budget balance/surplus rule in structural terms, <b>make the medium-term budgetary framework binding, encompassing and transparent, and strengthen the role of independent bodies monitoring fiscal policy by end 2013</b>. Take measures to gradually reduce the contingent liabilities of the state.</p> |
|  | <p>2. Take urgent steps to ensure the <b>long-term sustainability of the pension system</b>, 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)</p>  | <p><b>Partially implemented.</b></p> <p>The pension reform entered into force in January 2013. Different intervention acts have frozen or reduced pension indexation over 2012-2014.</p> <p>The reform addresses challenges identified in the CSR though not sufficiently. It increases and equalises the statutory retirement age for both</p>  | <p>2. Strengthen the <b>long-term sustainability of the pension system</b> beyond 2020 by further adjusting all relevant parameters, including through linking the statutory retirement age to gains in life expectancy, while preserving the adequacy of pensions. Contain age-related expenditure on long-term care and improve access to services by refocusing care provision from institutional to home</p>  |


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|  | <p>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.</p>   | <p>genders; however it does not introduce an automatic link between the increase in life expectancy and statutory retirement age. It reduces early retirement possibilities and proposes changes to the indexation of pensions.</p> <p>No tailor-made lifelong learning or active labour market measures have been adopted to increase employment of older workers.</p>   | <p>care, sharpening targeting of benefits, and reinforcing prevention to reduce disability/dependency.</p>   |
|  | <p><b>3.</b> Take the required steps to build sufficient capital buffers in the <b>banking sector</b> 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.</p> | <p><b>Partially implemented.</b></p> <p>Following adoption of reform bills on the recovery of the banking sector, the government has set up the Bank Assets Managing Company (BAMC) and the Bank Stabilisation Fund to repair the state-owned banks. However, the selection of banks and balance sheet cleaning tools still needs to be specified.</p> <p>Jurisdiction of Bank of Slovenia was strengthened so that the Bank of Slovenia can intervene faster. The supervisory and resolution framework has been strengthened, but more measures are required and effective action has to follow.</p> | <p><b>4.</b> Take the necessary steps, with input from European partners, to contract an independent <b>external adviser in June 2013 to conduct a system-wide bank asset quality review.</b> Complete this exercise in 2013, with faster progress in the cases of the two banks already subject to the state aid procedure, to accelerate their balance sheet repair. Stand ready to provide additional capital should the asset transfer or asset quality review reveal additional shortfalls. All measures, including objective assessments of capital needs, transfer of <b>assets to Bank Asset Management Company</b>, asset protection scheme, operational implementation of the restructuring measures should be implemented in full compliance with state aid rules in case state aid is involved. In parallel, develop by March 2014 and implement a comprehensive sector strategy to ensure arms-length management of reformed banks and to substantially improve governance, risk management and profitability in the sector, including through consolidation where appropriate. Swiftly proceed with preparations for the announced <b>privatisation of NKBM and establish, by September 2013</b>, an ambitious timetable for the divestment of direct and indirect state shareholdings of banks.</p> <p><b>5.</b> Review the <b>bank regulatory framework</b> by end 2013, and based on this review, strengthen supervisory capacity, transparency and statistical disclosure.</p> |
|  | <p><b>4.</b> Adjust employment protection legislation as</p>  | <p><b>Partially implemented.</b></p>  | <p><b>3.</b> Ensure that wage developments, <b>including the</b></p>   |

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|  | <p>regards permanent contracts in order to reduce <b>labour market segmentation</b>, in consultation with social partners and in accordance with national practices. Further tackle the parallel labour market caused by student work.</p>  | <p>A reform of employment protection legislation was adopted in March 2013 to reduce labour market segmentation and increase its flexibility. The reform reduces protection of permanent contracts by simplifying dismissal procedures. At the same time the protection of fixed-term contracts is increased to prevent abuse. Whereas the reform goes in the right direction, it remains to be seen whether the reform is sufficiently ambitious to have a significant impact on the labour market segmentation and flexibility.</p> <p>No systemic measures have been taken to address the widespread and unprotected student work available to pupils and students.</p> | <p><b>minimum wage, support competitiveness and job creation.</b> Monitor closely the effects of the <b>recent labour market reform</b> and if necessary identify the areas where further action is needed to foster job creation and tackle segmentation, including through the regulation for student work. Take further measures to increase employment of young tertiary graduates, older persons and the low-skilled by focusing resources on tailor-made active labour market policy measures while improving their effectiveness. <b>Address the skills mismatch</b> by improving the attractiveness of the relevant vocational education and training programmes and by further developing cooperation with the relevant stakeholders in assessing labour market needs.</p> |
|  | <p><b>5.</b> Improve the <b>matching of skills with labour market demand</b>, particularly of low-skilled workers and tertiary graduates, and continue reforms of vocational education and training.</p>  | <p><b>Partially implemented.</b></p> <p>A pilot project on how to evaluate labour market needs is being carried out at the Public Employment Service. The first results, which will be used as a basis for policy design, are expected for the second half of 2013.</p> <p>There is only some progress in addressing the skills gap in tertiary education; links with enterprises have not been strengthened. Reforms of vocational education and training show limited progress and the role of employers has not been strengthened.</p>  |   |
|  | <p><b>6.</b> 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 <b>Competition Protection Office</b>, (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.</p> | <p><b>Partially implemented.</b></p> <p>A reform of professional services has been launched mid-2012. However, the reform is behind schedule.</p> <p>(i) The Competition Protection Agency (CPA) was established on January 1, 2011.</p> <p>(ii) The government abolished the Agency on Managing Capital Assets and replaced it with the new Slovenian Sovereign Holding (SSH). The new holding is intended to consolidate management and ownership of all investments by the Republic of Slovenia and the state funds under one structure</p>   | <p><b>6.</b> Accelerate the reform of regulated services, including a significant reduction of entry barriers. <b>Improve the business environment</b>, including through ensuring the independence of and providing sufficient and autonomous financing to the <b>Competition Protection Agency</b>.</p> <p><b>7.</b> Build on previous efforts to further <b>reduce the length of judicial proceedings</b> at first instance in litigious civil and commercial cases and the number of pending cases, in particular enforcement cases.</p>  |

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|  |   | and allow for privatisation of some of these assets.<br>(iii) The government adopted an amended law on Financial Operations, Insolvency Proceedings and Compulsory Dissolution Act (ZFPPIPP) in April 2013. The amendments aim at refining definition of insolvency and incentivise management to file for insolvency on time. |  |
|  | <b>7.</b> Following consultation with social partners and in accordance with national practice, ensure that <b>wage growth, including minimum wage adaptation, supports competitiveness and job creation.</b> | <b>Partially implemented.</b><br>The government has cut nominal gross wage per employee in the public sector by around 3% in 2012 and agreed with social partners to cut the wage bill further in 2013.<br><br>No measure has been taken to adapt the minimum wage.  |  |
|  |   |  | <b>8.</b> As part of the planned strategy of the government, to be completed by September 2013, classify core and non-core <b>state assets</b> according to economic criteria, with a view to divesting non-core assets. Make the <b>Slovenia Sovereign Holding (SSH)</b> fully operational in a timely manner, and transfer both ownership and management of all stakes to the SSH, potentially excluding those that are on the list for immediate full privatisation. Ensure professional management of the SSH from the outset, potentially including international expertise, and a clearly defined arms' length relationship with the companies involved. For core stakes, develop sector-specific strategies to improve profitability and corporate governance. Introduce an obligatory and publicly available register of management and supervisory board appointments in state-owned enterprises with requirements for disclosure of interests. Ensure that the regulatory framework facilitates divestment of non-core state assets and that administrative hurdles are minimised. |
|  |   |  | <b>9.</b> Identify and start to work on removing all existing legal and administrative impediments to <b>sustainable restructuring of over-</b>  |


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|  |  |  | <p><b>indebted/undercapitalised but viable companies</b> through market-based solutions. In this context, take measures to ensure sufficient private burden sharing, to increase private investment, including foreign direct investment, and to achieve efficiency gains in troubled companies as part of the restructuring process. Adopt the necessary <b>legal framework for out-of-court restructuring by September 2013</b>, ensuring that it is coherent with the existing provisions on insolvency and provides incentives for both creditors and shareholders to reach out-of-court restructuring agreements. Improve the enforcement of corporate insolvency procedures and in-court settlements, including <b>swiftly resolving pending court cases related to bankruptcy procedures</b>, in order to maximise recovery value and to facilitate the timely and efficient resolution of non-performing loans.</p> |
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| <br>SK | <u>Country Specific Recommendations 2012</u>   | <u>Assessment of implementation of CSR 2012<br/>(based on COM staff documents)</u>   | <u>Country Specific Recommendations 2013</u>  |
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|   | <p>1. Take additional measures in 2012 and specify the necessary measures in 2013, to <b>correct the excessive deficit in a sustainable manner</b> 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>Slovakia is expected to make progress in terms of fiscal consolidation but at this stage it is premature to comment on the EDP. Limited progress has been made on safeguarding growth-enhancing expenditure, making public spending more efficient and laying down an adequate structural adjustment towards the medium-term objective. The Fiscal Council has been set-up. The original plan to adopt rules on expenditure ceilings has been postponed to the first quarter of 2013. No information on current progress towards reaching this goal is available.</p> | <p>1. Implement as envisaged the budget for the year 2013, so as to <b>correct the excessive deficit</b> in a sustainable manner and <b>achieve the fiscal effort specified in the Council recommendations under EDP</b>. After the correction of the excessive deficit, pursue the structural adjustment effort that will enable Slovakia to <b>reach the medium-term objective by 2017</b>. Avoid cuts in growth enhancing expenditure and step up efforts to improve the efficiency of public spending. Building on the pension reform already adopted, further improve the long term sustainability of public finance by <b>reducing the financing gap in the public pension system</b> and <b>increasing the cost-effectiveness of the health-care sector</b>.</p> <p>2. Speed up the implementation of the action plan to combat tax fraud and continue efforts to <b>improve VAT collection</b>, in particular by strengthening the analytical and audit capacity of the tax administration. <b>Improve tax compliance</b>. Link real-estate taxation to the market value of property.</p> |
|   | <p>2. Increase tax compliance, in particular by improving the <b>efficiency of VAT</b> 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>Progress has been made on reducing distortions in the taxation of labour across different employment types. However, no review of tax deductions has been carried out. The legislative changes adopted to fight VAT evasion go in the right direction and can help make VAT collection more efficient. Nevertheless, there continued to be shortfalls in VAT revenue in 2012 and the challenge in this area remains. No progress has been made on real estate and environmental taxation.</p>   |   |
|   | <p>3. Further adjust the pay-as-you-go <b>pension pillar</b>, mainly by changing the indexation mechanism, introducing a direct link between the statutory retirement age and life expectancy and introducing</p>  | <p>A comprehensive pension reform has been adopted. Within the pay-as-you-go pillar, the indexation mechanism was changed and the link between the statutory retirement age and life</p>   |   |

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|  | <p>a sustainability factor in the pension calculation formula reflecting demographic change. Ensure the stability and viability also of the fully funded pillar.</p>   | <p>expectancy introduced. The sustainability factor in the pension calculation has not been introduced. Repetitive opening of the fully funded pillar, the reintroduction of voluntary participation and several other changes undermined the stability of its set-up. Preliminary estimates show that they have improved the long-term sustainability of public finances but the long-term financing gap remains high compared to that of other Member States.</p>                                 |  |
|  | <p><b>4. Enhance the administrative capacity of public employment services</b> 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 <b>tax wedge</b> for low-paid workers and adapt the benefit system.</p> | <p><b>Partially implemented</b></p> <p>The ALMP reform entered into force in May 2013 and is expected to improve the targeting and design of activation policies and introduced obligatory evaluation by public employment services. However, despite additional responsibilities and increased needs for analytical capacity, public employment services have not been strengthened. No sufficient progress made on ensuring the provision of childcare facilities and reducing the tax wedge.</p> | <p><b>3.</b> Take measures to <b>enhance the capacity of public employment services</b> to provide personalised services to jobseekers and strengthen the link between activation measures and social assistance. More effectively address long-term unemployment through activation measures and tailored training. Improve incentives for women employment, by enhancing the provision of childcare facilities, in particular for children below three years of age. Reduce the <b>tax wedge</b> for low-paid workers and adapt the benefit system.</p>  |
|  | <p><b>5.</b> Adopt and implement the youth action plan, in particular as regards the quality and labour market relevance of <b>education and vocational training</b>, including through the introduction of an apprenticeship scheme. Improve the quality of higher education by strengthening quality assurance and result orientation.</p>   | <p><b>Partially implemented</b></p> <p>The youth action plan was adopted in October 2012. In the area of employment, a limited number of actions were taken (e.g. two national projects co-financed by the structural funds, supporting job creation for young people); a more systematic approach to supporting people seeking a job for the first time is lacking.</p>  | <p><b>4.</b> Step up efforts to address high youth unemployment, for example through a Youth Guarantee. Take steps to attract young people to the teaching profession and raise educational outcomes. <b>In vocational education and training</b>, reinforce the provision of work-based learning in companies. In higher education, create more job-oriented bachelor programmes. Foster effective knowledge transfer by promoting cooperation between academia, research and the business sector. Step up efforts to improve access to <b>high-quality and inclusive pre-school and school education for marginalised communities</b>, including Roma.</p> |
|  |  |   | <p><b>5.</b> Step up efforts to make the <b>energy market function better</b>; in particular, to increase the transparency of the tariff-setting mechanism, enhance the accountability of the regulator. Strengthen interconnections with neighbouring</p>   |


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|  |   |  | countries. Improve energy efficiency in particular in buildings and industry.   |
|  | <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><b>Implemented to a limited extent</b></p> <p>A Roma reform has been publicly announced. However, this has not been followed up by the required legislative acts or by the allocation of additional resources. Slovakia launched a number of projects supporting social inclusion. They are relevant but their sustainability and scale is inadequate given the magnitude of the problems.</p>  |   |
|  | <p>7. Strengthen the quality of the public service, including by improving management of human resources and strengthening analytical capacities. Further <b>shorten the length of judicial proceedings and strengthen the role of the Public Procurement office</b> as an independent body.</p>                    | <p><b>Implemented to a limited extent.</b></p> <p>A comprehensive reform to make local administration more efficient was launched this year. However, a strategic policy framework to improve the quality, human resource management practices and analytical capacities of central administration is still lacking. No measures were adopted to mitigate the impact of the political cycle on staffing decisions, nor were mechanisms to reduce corruption put in place. The improvement of analytical capacities does not seem to be supported by sufficient budget allocations.</p> | <p>6. Take measures, including by amending the Act on Civil Service, to <b>strengthen the independence of the public service</b>. Improve the management of human resources in public administration. Step up efforts to strengthen analytical capacities in key ministries, also with a view to improving the absorption of EU funds. Implement measures to <b>improve the efficiency of the judicial system</b>. Promote alternative dispute resolution procedures and encourage their greater use.</p> |

| <br>FI | <u>Country Specific Recommendations 2012</u><br>MIP: 5   | <u>Assessment of implementation of CSR 2012</u><br><u>(based on COM staff documents)</u>   | <u>Country Specific Recommendations 2013</u><br>MIP: 3,4,5  |
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|   | <p>1. Preserve a <b>sound fiscal position in 2012 and beyond by correcting any departure from the MTO</b> 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 <b>ageing-related sustainability gap</b> 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><b>Some progress</b></p> <p>The general government deficit reached 1.9% of GDP in 2012 and in its spring forecast the Commission predicts a 1.8% deficit for 2013. The structural balance was -0.7 % in 2012 and is forecast to be -0.6 % in 2013 and -0.5 % in 2014.</p> <p>Finland did not meet its MTO (0.5%) in 2012, but due to the negative growth, the improvement in structural balance was not achievable.</p> <p>No measures to establish expenditure ceilings have been proposed at general government level, but local government expenditure is being adjusted through the adjustment of central government transfer payments to the municipalities.</p> | <p>1. Pursue a growth-friendly fiscal policy and preserve a <b>sound fiscal position</b> as envisaged, ensuring <b>compliance with the MTO over the programme horizon</b>. Continue to carry out annual assessments of the size of the <b>ageing-related sustainability gap</b> and adjust public revenue and expenditure in accordance with long-term objectives and needs. Ensure the cost-effectiveness and sustainability of <b>long-term care</b> and put a stronger focus on prevention, rehabilitation and independent living.</p> |
|   | <p>2. Take further measures to <b>achieve productivity gains and cost savings in public service provision</b>, including structural changes and efficiency-enhancing territorial administrative reforms, also in order to respond to the challenges arising from an ageing population.</p>   | <p><b>Some progress</b></p> <p>Reform on the number and structure of municipalities is progressing. Legislation currently being proposed for adoption in July 2013 establishes criteria for municipalities that should consider and analyse mergers. There will be financial incentives for mergers but no forced mergers are envisaged. Furthermore, reform on health and social services being planned.</p>  | <p>2. Ensure effective implementation of the on-going <b>administrative reforms</b> concerning the municipal structure, in order to deliver productivity gains and cost savings in the provision of public services, including social and healthcare services.</p>  |
|   | <p>3. Implement the ongoing measures to <b>improve the labour market position of young people</b> and the long-term unemployed, with a particular focus on skills development. Take further steps to improve <b>the employment rate of older workers</b>, including by reducing early exit pathways. Take measures to increase the effective retirement age taking into account the improved life expectancy.</p>  | <p><b>Substantial progress</b></p> <p>The measures to reduce long-term and youth unemployment are relevant, ambitious and credible. However, the underlying policy challenges remain. As regards older workers, it is not clear what measures are being envisaged. Since no concrete initiatives or numbers have been set, it is difficult to assess relevance, ambition or credibility. Early exit pathways, such as the ‘unemployment pathway’,</p>  | <p>3. Take further steps to increase the <b>employment rate of older workers</b>, including by improving their employability and reducing early exit pathways, increasing the effective retirement age by aligning retirement age or pension benefits to changes in life expectancy. Implement and monitor closely the impact of on-going measures to improve <b>the labour-market position of young people</b> and the long-term unemployed, with a particular focus on the development of job-relevant skills.</p>                      |

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|  | <p><b>4. Continue enhancing competition in product and service markets</b>, 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><b>Some progress</b></p> <p>To improve competition, a programme to promote healthy competition was set up, aimed at increasing competition on the domestic market. Furthermore, on 1 January 2013 the Finnish Competition and Consumer Authority came into operation. Furthermore, a legislative proposal on dominant market position has been under discussion at government level since September 2012.</p>  | <p><b>4. Continue efforts to enhance competition in product and service markets</b>, especially in the retail sector, by implementing the new programme on promoting healthy competition.</p>  |
|  | <p><b>5. In order to strengthen productivity growth and external competitiveness, continue efforts to diversify the business structure</b>, 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>  | <p><b>Some progress</b></p> <p>The government's measures are in the right direction in relation to diversification of the business structure. The problem of competitiveness and the need to facilitate the restructuring in the ICT sector are ongoing issues in the public policy debate.</p> <p>The current wage agreement comes to an end in 2013, but the labour market partners have not yet reached an agreement on its follow-on. There has not been an ambitious, relevant or credible response to the recommendation as regards the wage component.</p> | <p><b>5. Boost Finland's capacity to deliver innovative products, services and high-growth companies in a rapidly changing environment, and continue diversification of the industry;</b> continue to improve the overall energy efficiency in the economy. In the current low-growth environment, support the alignment of real wage and productivity developments whilst fully respecting the role of social partners and in line with national practices.</p> |

| <br>SE | <u>Country Specific Recommendations 2012</u><br>MIP: 2   | <u>Assessment of implementation of CSR 2012</u><br><u>(based on COM staff documents)</u>  | <u>Country Specific Recommendations 2013</u><br>MIP: 2,3  |
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|   | <p>1. Preserve a <b>sound fiscal position in 2012</b> and beyond by implementing the budgetary strategy as envisaged and <b>ensuring continued achievement of the MTO</b>.</p>   | <p><b>Fully addressed</b></p> <p>The 2013 Budget Bill is also in line with the recommendation.</p> <p>The general government budget is expected to have a small deficit in 2013. Taking into account the downward revision of the medium-term objective in the 2012 convergence programme (from a surplus of 1 % of GDP to a deficit of 1 % of GDP), Sweden is likely to continue to meet its commitment under the Stability and Growth Pact and fulfil the CSR. The pro-growth composition of the fiscal stimulus in the 2013 budget is commendable.</p> | <p>1. Implement the measures necessary to pursue a growth-friendly <b>fiscal policy</b> and preserve a sound fiscal position <b>ensuring compliance with the medium-term objective over the programme horizon</b>.</p>  |
|   | <p>2. Take further preventive measures to strengthen the stability of the <b>housing and mortgage market</b> 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.</p>          | <p><b>Some progress</b></p> <p>House prices and household debt have been stable over the last year. Several measures are in the pipeline to foster prudent lending: stricter capital and liquidity requirements; higher risk weights for mortgages; and discussions on introducing amortisation requirements. No measures have been taken to address the debt-bias in housing taxation.</p> <p>On the rental market, progress has been made through a partial reform of the rent-setting system in 2011 and by simplifying private lettings in 2013.</p>  | <p>2. Continue addressing risks related to private debt by reducing the debt bias <b>in housing taxation</b> by phasing out tax deductibility of interest payments on mortgages or/and increasing property taxes. Take further measures to foster prudent lending by measures promoting amortisation of mortgages. Further reduce the debt-bias in corporate taxation.</p> <p>3. Improve the efficiency of <b>the housing market</b> by continued reforms of the rent setting system and strengthening the freedom of contract between individual tenants and landlords. Promote increased competition in the construction sector and review the planning, zoning and approval processes with the aim of increasing transparency, shortening lead times and reducing entry barriers for construction companies.</p> |
|   | <p>3. Take further measures to improve the <b>labour market participation</b> 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</p> | <p><b>Some progress</b></p> <p>A number of measures have been taken on various fronts, in particular to speed up the integration of people with a migrant background into the labour market, facilitate the transition from school to work,</p>   | <p>4. Reinforce efforts to improve the <b>labour-market integration</b> of low-skilled young people and people with a migrant background by stronger and better targeted measures to improve their employability and the labour demand for these groups. Step up efforts to facilitate the transition from school to work,</p>  |


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|  | <p>functioning of the labour market. <b>Review the effectiveness of the current reduced VAT rate for restaurants and catering services</b> in support of job creation.</p>   | <p>promote demand for vulnerable groups and improve the functioning of the labour market. The 'youth package' provides for a number of extra temporary student places in universities and adult vocational education establishments. The government has commissioned a review of the effectiveness of the VAT cut in restaurant and catering services in relation to prices and employment in the sector.</p>  | <p>including via a wider use of work-based learning, apprenticeships and other forms of contracts combining employment and education. Complete the Youth Guarantee to better cover young people not in education or training. Complete and draw conclusions from the <b>review of the effectiveness of the current reduced VAT rate for restaurants and catering services</b> in support of job creation.</p> |
|  | <p><b>4. Take further measures in the upcoming research and innovation bill</b> to continue improving the excellence in research and to focus on improving the commercialisation of innovative products and the development of new technologies.</p> | <p><b>Fully addressed</b><br/> The Swedish Research and Innovation Bill has been adopted, as has the National Innovation Strategy. In line with the Commission's recommendation in 2012, the emphasis has been on ensuring a higher return on R&amp;D investment than in the past. The challenge of getting ideas to the market for innovative and high-growth enterprises is clearly recognised. However, the actual implementation of the strategy will have to be followed closely over time.</p> |   |

| <br>UK | <u>Country Specific Recommendations 2012</u><br>MIP: 2, 3, 6   | <u>Assessment of implementation of CSR 2012</u><br><u>(based on COM staff documents)</u>  | <u>Country Specific Recommendations 2013</u><br>MIP: 2,3,5,6   |
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|   | <p>1. Fully implement the budgetary strategy for the financial year 2012-13 and beyond, supported by sufficiently specified measures, to ensure a timely <b>correction of the excessive deficit in a sustainable manner</b> and the achievement of the <b>structural adjustment effort specified in the Council recommendations under the EDP</b> 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.</p> | <p><b>Limited progress.</b></p> <p>At 6.4%, structural borrowing in FY 2012-13 was only 0.3 pp. lower than in 2011-12, despite the UK government sticking to its fiscal consolidation strategy. The deficit is forecast at 6.8% in 2013-14 and 6.3% in 2014. Some modest progress has been made on making the structure of consolidation more growth-friendly by shifting spending towards capital budgets.</p>   | <p>1. Implement a reinforced budgetary strategy, supported by sufficiently specified measures, for the year 2013-14 and beyond. Ensure the correction of <b>the excessive deficit in a sustainable manner by 2014/15</b>, and the achievement of the fiscal effort specified in the Council recommendations under the EDP and set the high public debt ratio on a sustained downward path. A durable correction of the fiscal imbalances requires the credible implementation of ambitious structural reforms which would increase the adjustment capacity and boost potential growth. Pursue a differentiated, growth-friendly approach to fiscal tightening, including through prioritising timely capital expenditure with high economic returns and through a balanced approach to the composition of consolidation measures and promoting medium and long-term fiscal sustainability. In order to raise revenue, make <b>greater use of the standard rate of VAT</b>.</p> |
|   | <p>2. Address the <b>destabilising impact of high and volatile house prices and high household debt</b> 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.</p>  | <p><b>Some progress.</b></p> <p>Government has reformed the planning system and put in place a number of regulatory and fiscal measures aimed at increasing residential construction, but it is not yet clear how effective these will be in boosting the supply of housing. Both residential construction and new mortgage lending remain low, affected by a weak economy and policy constraints. There is also a risk that recent government interventions that stimulate housing demand more than supply, in particular Help to Buy, could reflate a housing bubble and consequently household debt. This could also further decrease housing affordability.</p> | <p>2. Take further action to increase <b>housing supply</b>, including through further liberalisation of spatial planning laws and an efficient operation of the planning system. Ensure that housing policy, including the Help to Buy scheme does not encourage excessive and imprudent mortgage lending; and promote greater supply to avoid higher house prices.. Pursue reforms including to land and property taxation to reduce distortions and promote timely residential construction. Take steps to improve the functioning of rental markets, in particular by making longer rental terms more attractive to both tenants and landlords.</p>  |
|   | <p>3. Continue to improve the <b>employability of young</b></p>  | <p><b>Some progress.</b></p>  | <p>3. Building on the Youth Contract, step up</p>  |



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|  | <p><b>people</b>, 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.</p>   | <p>If implemented effectively, with a proper focus on increasing the quality of apprenticeship programmes, including their level and duration, a number of measures taken may increase the labour market relevance of apprenticeships. The measures in the education system to improve the skill levels and employability of young people have a long-term nature and therefore it is too early to assess their impact.</p>   | <p>measures to address <b>youth unemployment</b>, for example through a Youth Guarantee. Increase the quality and duration of apprenticeships, simplify the system of qualifications and strengthen the engagement of employers, particularly in the provision of advanced and intermediate technical skills. Reduce the number of young people aged 18-24 who have very poor basic skills, including through effectively implementing the Traineeships programme.</p>  |
|  | <p><b>4.</b> Step up measures to facilitate the labour market integration of people from <b>jobless households</b>. Ensure that planned welfare reforms do not translate into increased child poverty. Fully implement measures aiming to <b>facilitate access to childcare services</b>.</p>   | <p><b>Some progress.</b></p> <p>The introduction of Universal Credit will be a positive step, with its focus on benefits simplification and improving work incentives, although the employment impact is likely to depend in part on effective implementation. However reforms to Council Tax benefit appear likely to increase poverty and make the benefits system more complex, partially offsetting the simplification benefits of Universal Credit.</p> <p>Early evidence on the impact of the new flagship Work Programme for the unemployed is disappointing.</p> <p>Poverty is likely to increase in future due to a range of real terms reductions to working age welfare payments that the government is making as part of its fiscal consolidation strategy.</p> | <p><b>4.</b> Enhance efforts to support <b>low-income households</b> and reduce child poverty by ensuring that the Universal Credit and other welfare reforms deliver a fair tax-benefit system with clearer work incentives and support services. Accelerate the implementation of planned measures to <b>reduce the costs of childcare</b> and improve its quality and availability.</p>  |
|  | <p><b>5.</b> Further improve the availability of <b>bank and non-bank financing to the private sector</b>, 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.</p> | <p><b>Some progress.</b></p> <p>The government has put in place a number of schemes aimed at increasing lending but net credit trends remained weak throughout 2012. Many firms, notably SMEs, are experiencing difficulties in obtaining credit to finance investment.</p> <p>The FLS has contributed to ease bank funding costs and credit conditions, but there is a risk of it being primarily channelled to sectors that are less in need of funding.</p> <p>The government is addressing a number of the</p>  | <p><b>5.</b> Take further steps to improve the availability of <b>bank and non-bank financing to the corporate sector</b>, while ensuring that the measures primarily target viable companies, especially SMEs. Reduce barriers to entry in the banking sector, lower switching costs and facilitate the emergence of challenger banks through a divestiture of banking assets. Effectively implement the <b>Financial Policy Committee's recommendations</b> on prudent assessment of bank capital requirements and on addressing identified capital shortfalls.</p> |

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|  |  | <p>recommendations put forth in the Breedon review, but access to non-bank lending remains largely restricted to bigger firms.</p> <p>There remains limited competition in the banking industry, but some actions to tackle barriers to entry have been announced. Lloyds bank and RBS are yet to divest of part of their assets to comply with state aid rules and to facilitate the creation of new challenger banks.</p>   |   |
|  | <p><b>6. Pursue a long-term strategy for improving the capacity and quality of the UK's network infrastructure,</b> 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.</p> | <p><b>Some progress.</b></p> <p>Quality and congestion of transport infrastructure remains a structural weakness affecting the whole economy, and especially goods producing and exporting companies. The rail investment pipeline should help to accommodate the forecast continued increase in rail traffic. The government has announced a lot of initiatives to boost private investment in the road network but most remain aspirational and the UK needs to be careful not to repeat past mistakes. Limited progress has been made in addressing the need for additional hub airport capacity. There has been a lot of uncertainty over the prospects for energy investment, due in part to regulatory risks. UK assessments show an increasing need for new generating capacity, both renewable and non-renewable. The energy bill aims to put in place measures to attract the GBP 110 billion (EUR 130 billion) investment that is needed to replace current generating capacity and upgrade the grid by 2020.</p> | <p><b>6. Take measures to facilitate a timely increase in network infrastructure investment,</b> especially by promoting more efficient and robust planning and decision-making processes. Provide a stable regulatory framework for investment in new energy capacity, including in renewable energy. Improve the capacity and quality of transport networks by providing greater predictability and certainty on planning and funding and by harnessing the most effective mix of public and private capital sources.</p> |

| Euro Area<br> | <u>Council Recommendations 2012</u>  | <u>Assessment of implementation of CSR 2012<br/>(based on COM staff documents)</u>   | <u>Council Recommendations 2013</u>  |
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|  | <p><b>1. Strengthen the working methods of the Eurogroup</b> 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.</p>   |  |  |
|  | <p><b>2. Intensify policy cooperation in the Eurogroup</b> 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.</p>   |  | <p><b>1.</b> Take responsibility for the aggregate policy stance in the euro area in order to <b>ensure the good functioning of the euro area</b> to increase growth and employment, and to take forward the work on deepening Economic and Monetary Union. Allow the <b>Eurogroup to play a central role</b> in the strengthened surveillance framework applicable to euro area Member States to coordinate and monitor reforms at national and at the euro area level that are necessary for a stable and robust euro area and to ensure policy coherence, and in the preparation of the Euro Summits.</p> |
|  | <p><b>3. Strengthen fiscal discipline and fiscal institutions</b> 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 <b>fiscal governance</b> 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.</p> | <p>The strengthening of fiscal frameworks continues across the euro area. While the Directive on national budgetary frameworks has to be transposed by the end of 2013, euro area Member States pledged to advance this process to end 2012.</p> <p>Progress is somewhat more advanced regarding numerical fiscal rules: a wide array of national instruments are either in place or are being prepared to buttress national fiscal policy-making. Beyond the Directive itself, the framework for strengthened EU governance introduced with the other legislative texts of the 'six-pack' reform of the Stability and Growth Pact has helped to place the</p> |  |

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|  |  | <p>issue of effective national numerical fiscal rules high on the Member States' reform agenda. This is also supported by the TSCG. The more recent agreement on the 'two-pack' legislation will further reinforce domestic fiscal frameworks in the context of enhanced surveillance of budgetary processes; this will in particular feature a stronger role for independent fiscal institutions.</p>  |  |
|  | <p>4. Based on the European Council Conclusions of 1-2 March 2012, <b>ensure a coherent aggregate fiscal stance</b> 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 <b>budgetary margins should be used to foster public investment in the euro area</b>, including by taking into account cross-country differences in the cost of funding.</p> | <p>Significant progress has been made on fiscal consolidation in the euro area. The headline deficit continued to improve by 0.4 pps and fell to 3.7% of GDP. However the debt-to-GDP ratio continued to rise in 2012, as the effects of the consolidation programmes on debt will become visible only with time. The speed of consolidation over the period 2010 and 2013 for the euro area as a whole as well as the differentiation according to fiscal space was broadly appropriate. Nonetheless, there remain substantial consolidation needs in some euro area countries as there are still a number of countries in excessive deficit procedure and countries in the preventive arm need to make progress of 0.5% as a benchmark towards the MTO. Consolidation efforts in the euro area have been broadly balanced between the revenue and expenditure side. Going forward, there is still scope for many euro area Member States to improve the structure of the tax systems further. Many Member States have room to make the tax systems more growth friendly and raise additional revenue by broadening the tax bases.</p> | <p>2. Ensure that the Eurogroup monitors and coordinates <b>fiscal policies of the euro area</b> Member States and the aggregate fiscal stance for the euro area as a whole to ensure a growth friendly and differentiated fiscal policy. To this end the Eurogroup should discuss the Commission opinions of the <b>draft budgetary plans of each of the euro area Member States</b>, and the budgetary situation and prospects for the euro area as a whole on the basis of the overall assessment by the Commission of the draft budgetary plans and their interaction. The coordination shall contribute to ensuring that <b>the pace of fiscal consolidation is differentiated</b> according to the fiscal and economic situation of the euro area Member States with the <b>budgetary adjustment</b> defined in structural terms in line with the Stability and Growth Pact, allowing the <b>automatic stabilisers</b> to function along the adjustment path and that, in view of reinforcing the credibility of fiscal policy over the medium term, fiscal consolidation is supported by an overall efficient and growth-friendly mix of expenditure and revenue and by appropriate structural reforms which enhance the economic growth potential.</p> |
|  | <p>5. Take action to improve the functioning and stability of the <b>financial system</b> in the euro area. Accelerate the steps towards a more integrated financial architecture, comprising banking supervision and cross-border crisis resolution.</p>  | <p>The positive market sentiment was spurred by <b>several European level policy measures</b> that impacted the markets in the last year. Perceptions about euro breakup have receded significantly starting in the last quarter of 2012. On the monetary side the ECB's announced a new programme aimed at restoring the transmission of monetary policy <b>Outright Monetary Transactions</b> (OMT) in</p>  | <p>3. Assess, in the framework of the Eurogroup, the reasons behind the <b>differences in lending rates</b> especially to SMEs across the euro area Member States; explore the consequences of the <b>fragmentation of the financial markets</b> in the euro area and contribute to ways to overcome it.</p> <p>4. Building on the recapitalisation and the restructuring of the past years, promote further</p>   |

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|  |  | <p>September 2012. On the regulatory front, progress in economic and fiscal governance as well as the agreement on the <b>Single Supervisory Mechanism (SSM)</b> also contributed to the reduction of risk premia. The SSM should be fully operational by July 2014 radically changing the supervisory landscape in Europe. This will enhance high quality and impartial banking supervision across the board, contributing to boost the resilience of the banking system in the medium term and dissipate doubts about the quality of banks' assets. Finally the permanent <b>European Stability Mechanism</b> has become operational.</p> <p>Market conditions have not normalised and market fragmentation did not disappear which means that funding strains for banks in vulnerable countries remains prevalent. The return to full financial integration depends crucially on the preservation of a positive and ambitious effort to reform the financial framework. A number of other initiatives could be considered to ease SMEs access to bank and nonbank financing in the EU and the euro area</p> | <p>balance-sheet repair among banks as a means to <b>reverse fragmentation in the single market</b> and <b>improve the flow of credit</b> to the real economy, particularly SMEs. To this end: (a) ensure that the balance sheet assessments and stress tests to be conducted by the <b>Single Supervisory Mechanism (SSM)</b> in co-operation with the <b>European Banking Authority (EBA)</b> are concluded in accordance with the agreed timeline; (b) ensure a level playing field in applying <b>burden-sharing</b> requirements in the recapitalisation of banks; (c) ensure the availability of <b>credible fiscal backstops</b> in the context of balance sheet assessments and stress tests; (d) remove <b>supervisory incentives</b> for banks to match asset and liabilities within national borders; and (e) accelerate the necessary steps to establish the <b>Banking Union</b>, as outlined by the European Council.</p> |
|  | <p><b>6. Implement structural reforms, which also promote flexible wage adjustments</b>, and which — together with a differentiated fiscal stance — would promote an orderly unwinding of intra-euro area macroeconomic imbalances and thus growth and jobs. This would include action at national level which reflects the country-specific situation and takes account of the Council recommendations to individual euro area Member States.</p> | <p>Progress has been made with reforms of pension systems, less so with health care. A majority of Member States have adapted pension systems with the aim of putting them on a more sustainable footing against the background of population ageing. Further reform efforts are needed to align retirement age with life expectancy, restrict access to early retirement schemes, and enable longer working lives but also in the fields of health care and long-term care policies. Several Member States in the euro area have undertaken key structural reforms in product and service markets during the last year. The reform effort has been particularly substantial in countries under financial assistance programmes and/or under market pressure. Still a strong reform effort is needed in the competition framework, in particular as concerns the reduction of barriers in professional services. Reforms of the</p>  | <p><b>5. Coordinate ex ante the major economic reform plans</b> of the Member States whose currency is the euro. Monitor the implementation of <b>structural reforms</b>, notably in the labour and product markets and assess their impact on the euro area, taking into account the Council recommendations to individual euro area Member States. Promote further adjustment in the euro area, ensuring a correction of external and internal imbalances, inter alia by following thoroughly the reforms that address distortions to saving and investment behaviour in Member States with both current account deficits and surpluses. Take the necessary steps for an effective implementation of the <b>Macroeconomic Imbalances Procedure</b>, notably by assessing progress in reform commitments in Member States experiencing excessive imbalances and in reform implementation in Member States</p>                          |

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|  |  | <p>housing and rental markets are also ongoing.</p> <p>Reforms enhancing labour market adjustment and reducing labour market segmentation have been recently enacted or are ongoing in many of the euro area countries that were characterised by less flexible regulatory settings. In some countries, still rigid and segmented labour markets are by themselves obstacles to the process of reallocation, especially of the re-employment of workers that have been made redundant during the adjustment, who now face significant entry barriers back into the labour market.</p> | <p>with imbalances requiring decisive action to limit <b>negative spillovers</b> to the rest of the euro area.</p>   |
|  |  |   | <p><b>6.</b> In line with the <b>AGS 2013</b>, it is crucial for the euro area member states to take collective and significant measures in order to tackle the <b>social consequences</b> of the crisis and the rising unemployment levels. The situation of <b>unemployed young people</b> is particularly worrying and bold action is recommended along the lines of the <b>Compact for Growth and jobs</b> and the <b>EU Youth Guarantee</b>. Further reforms to facilitate access to employment, prevent early withdrawals from the labour market, reduce the cost of labour, combat labour market segmentation and support innovation are recommended.</p> |



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**DOCUMENTO DE TRABALHO DOS SERVIÇOS DA COMISSÃO**

**Avaliação do Programa Nacional de Reformas de 2013 e do Programa de Estabilidade  
de PORTUGAL**

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## 1. RESUMO

### **Perspetivas económicas**

**A recessão aprofundou-se no último trimestre de 2012 e o PIB contraiu-se em 3,2 % no ano passado, mais do que era previsto.** A Comissão reviu em baixa as suas previsões para 2013-2015 e prevê que o PIB se contraia em 2,3% este ano para depois aumentar 0,6% em 2014 e 1,5% em 2015. O declínio maior do que o esperado da atividade económica foi impulsionado por uma acentuada contração da procura interna e por uma forte desaceleração das exportações líquidas. O desemprego também atingiu níveis mais elevados do que o previsto, 17,3% no último trimestre de 2012, e deverá atingir um pico de 18,5% em 2014. Entretanto, o processo de reequilíbrio no sentido de um crescimento mais orientado para as exportações prossegue a bom ritmo e a balança de transações correntes deverá estar equilibrada em 2013, pela primeira vez em mais de 40 anos.

**O défice atingiu 6,4% do PIB em 2012, nomeadamente devido ao tratamento estatístico de várias operações extraordinárias.** Na 7.<sup>a</sup> revisão do programa, o pessoal da Comissão, do Banco Central Europeu e do FMI apoiou uma alteração dos objetivos para o défice de 4,5% para 5,5% do PIB em 2013 e de 2,5 % para 4% do PIB em 2014, a fim de permitir o funcionamento dos estabilizadores automáticos. No início de abril, o Tribunal Constitucional decidiu contra uma série de medidas que constavam da Lei do Orçamento de 2013 no valor de cerca de 0,8% do PIB e, para cobrir o défice orçamental daí resultante, o Governo adotou um pacote de medidas permanentes de redução da despesa num valor cumulativo de 4,7 mil milhões de euros (2,8% do PIB) durante o período de 2013-14. A consolidação orçamental deverá prosseguir para além do período de vigência do programa, por forma a reconduzir o défice para um nível claramente inferior ao limiar de 3% do PIB até 2015. A dívida pública aumentou para 123,6% do PIB em 2012 e as projeções apontam para que venha a diminuir gradualmente depois atingir um pico em 2014.

### **Questões fundamentais**

**A aplicação do Programa de Ajustamento Económico está, em linhas gerais, a decorrer de acordo com as previsões.** Já foi alcançada uma consolidação orçamental significativa desde o início do programa, a estabilização do setor bancário está a progredir de acordo com o calendário previsto e estão a ser executadas grandes reformas estruturais.

**No entanto, subsistem importantes desafios, e as autoridades terão de prosseguir a consolidação orçamental a fim de colocar as finanças públicas numa trajetória sustentável e fazer face ao rápido aumento do desemprego, nomeadamente entre os trabalhadores mais jovens e mais idosos.** As famílias e as empresas precisam de dar continuidade ao processo de desalavancagem em curso, o que constitui uma condição fundamental para restabelecer a confiança e criar condições para um crescimento económico sustentável. Além disso, são ainda necessárias reformas estruturais importantes, nomeadamente para reduzir ainda mais os custos excessivos no setor da energia e nos portos e para reduzir as barreiras à atividade das empresas ao nível administrativo e do licenciamento.

- (1) **Política orçamental:** Apesar de já ter sido alcançado um significativo ajustamento estrutural, o cumprimento dos objetivos orçamentais exigirá uma aplicação rigorosa

do Orçamento para 2013 e das medidas identificadas na revisão das despesas públicas que está em curso. Após o período de programação, será necessário prosseguir os esforços de consolidação por forma a respeitar o novo quadro de governação orçamental da UE. 2013 será um ano crucial para obter novas e importantes poupanças no setor dos cuidados de saúde, em particular no que respeita aos produtos farmacêuticos, e no setor hospitalar, para conseguir alcançar os objetivos estabelecidos no programa.

- (2) **Setor bancário:** A recapitalização do setor bancário está concluída, as condições de financiamento e de liquidez dos bancos voltaram a melhoraram e o reforço dos enquadramentos da supervisão e da resolução bancária está quase concluído. Foram criados novos instrumentos para a reestruturação do endividamento das empresas e das famílias, que começam a dar os seus frutos, embora a eficácia destes instrumentos precise de ser acompanhada de perto. O acesso ao crédito continua a ser dispendioso e difícil em relação à média da área do euro, em particular para as pequenas e médias empresas.
- (3) **Reformas estruturais:** O ritmo de execução da agenda de reformas estruturais é, em geral, satisfatório, com importantes progressos em matéria de reforma da administração pública, das privatizações, da educação, das concessões rodoviárias, da habitação, do setor dos serviços e do exercício das profissões regulamentadas. O combate ao elevado nível de desemprego constitui uma das principais prioridades da agenda política, tendo uma reforma global dos mercados de trabalho sido aprovada e entrado em vigor em 2012. No entanto, o aumento do desemprego, que é particularmente elevado entre os jovens, tem implicações em termos de pobreza e de desigualdades, com cerca de um quarto da população em risco de pobreza e de exclusão social em 2012. Entretanto, a reforma do setor ferroviário tem vindo a progredir lentamente. É também necessário progredir mais rapidamente na criação dos portais que servirão de balcão único (BU) para os empresários, tendo em vista reduzir os encargos administrativos para as empresas e atrair o investimento.

#### (4) Introdução

**Na sequência de um pedido apresentado por Portugal em 7 de abril de 2011, a Troica constituída pela Comissão Europeia, pelo Banco Central Europeu (BCE) e pelo Fundo Monetário Internacional (FMI) negociou com as autoridades portuguesas um Programa de Ajustamento Económico.** O programa aprovado pelo Conselho ECOFIN e pelo Conselho de Administração do FMI em maio de 2011 abrange o período 2011-2014 e mobilizou 78 mil milhões de euros para as eventuais necessidades de financiamento orçamental e para o apoio ao sistema bancário. Inclui contribuições de (no máximo) 26 mil milhões de euros da União Europeia ao abrigo do Mecanismo Europeu de Estabilização Financeira (MEEF), outro terço do Fundo Europeu de Estabilidade Financeira (FEEF) e 26 mil milhões de euros do FMI ao abrigo de um Mecanismo Alargado de Financiamento.

**O programa procura restaurar a confiança, colocar as finanças públicas numa trajetória sustentável, assegurar o regresso da economia a um crescimento equilibrado e salvaguardar a estabilidade financeira.** Para o efeito, o programa prevê uma vasta ação global em três frentes:

- 1) Uma estratégia credível e equilibrada de consolidação orçamental, apoiada por medidas estruturais no domínio das finanças públicas e por um melhor controlo orçamental das parcerias público-privadas (PPP) e das empresas públicas (EP), a fim de colocar o rácio dívida pública bruta/PIB numa firme trajetória descendente a médio prazo. As autoridades estão empenhadas em reduzir o défice para 2.5 % do PIB até 2015.
- 2) Esforços para estabilizar o setor financeiro através de mecanismos baseados no mercado, sustentados por recursos de reserva. Entende-se por aspetos fundamentais as medidas destinadas a promover a desalavancagem gradual e ordenada, reforçar a constituição de capitais próprios por parte dos bancos e reforço da supervisão bancária.
- 3) Adoção, na fase inicial, de reformas estruturais profundas para estimular o crescimento potencial, criar emprego e melhorar a competitividade. Em particular, o programa implica reformas do mercado laboral, dos serviços e das indústrias de rede, do sistema judicial, do licenciamento e do mercado de aluguer, a fim de reforçar o potencial de crescimento da economia, melhorar a competitividade e facilitar o ajustamento económico.

**Os progressos realizados na execução do programa de ajustamento económico são controlados pela Comissão, pelo BCE e pelo FMI numa base trimestral, de acordo com as disposições do Memorando de Entendimento (ME).** A conformidade com os termos estabelecidos no ME e no Memorando de Políticas Económicas e Financeiras (MEFP) do FMI é avaliada antes de cada pagamento trimestral do empréstimo. Tendo em conta a condicionalidade associada ao programa no quadro do ME e os requisitos de apresentação de relatórios periódicos e de monitorização, os países objeto de um programa foram dispensados da obrigação de apresentar programas nacionais de reformas (PNR) e programas de

estabilidade ou de convergência<sup>1</sup>. No entanto, Portugal optou por apresentar um programa de estabilidade atualizado em 30 de abril de 2013 e uma atualização do programa nacional de reformas, apresentada em 2 de maio de 2013, com informações sobre as reformas estruturais em domínios de intervenção importantes que contribuem para a realização dos objetivos da estratégia Europa 2020. Ambos os documentos são coerentes e estão em conformidade com os objetivos do Programa de Ajustamento Económico. O presente documento de trabalho no âmbito do Semestre Europeu de 2013 apresenta um resumo dos mais recentes progressos sobre a execução do programa e a consecução dos objetivos da estratégia Europa 2020. Para mais informações, consultar os relatórios sobre o estado de execução do programa, publicados pela Comissão Europeia na sequência de cada missão realizada<sup>2</sup>.

**O Grupo de Apoio (SGPT) prestou assistência ao Governo português em vários domínios políticos.** O SGPT foi criado no final de 2011 e tem vindo a assistir o Governo através da prestação de assistência técnica em domínios como a gestão das finanças públicas (quadros orçamentais regionais e locais, administração fiscal), os fundos estruturais, os transportes, a agricultura, o mercado interno, a reforma do sistema judicial e a educação. A criação do SGPT pela Comissão Europeia representa um forte sinal de ajuda e facilitação da execução do Programa de Ajustamento em Portugal, tendo em vista a partilha de recursos e o aumento da confiança por forma a restabelecer o crescimento, a competitividade, o emprego e a estabilidade social no país.

#### (5) Situação e perspetivas económicas

**O PIB real diminuiu 3,2% em 2012.** O declínio da atividade económica superior ao esperado foi impulsionado por uma acentuada contração da procura interna, bem como por uma forte desaceleração das exportações líquidas no final do ano.

**O reequilíbrio no sentido de uma estrutura económica mais orientada para as exportações está a avançar a bom ritmo.** O comportamento das exportações foi notável em 2012, apesar do declínio observado no último trimestre do ano, mantendo a tendência para o aumento observada nos últimos anos. A parte das exportações no PIB passou de 28% em 2009 para 38,7% em 2012. Em consequência, o défice da balança de transações correntes passou de mais de 10% em 2010 para menos de 2% em 2012. As projeções apontam para que a balança de transações correntes atinja o equilíbrio este ano, pela primeira vez em mais de 40 anos.

**As perspetivas no mercado de trabalho deterioram-se, com as previsões atuais a apontarem para um pico da taxa de desemprego de 18,5 % em 2014.** A taxa de desemprego atingiu 17,5% da força de trabalho no primeiro trimestre de 2013 e continua a aumentar. A evolução pior do que o previsto deve-se a uma contração da atividade económica superior ao previsto e ao significativo ajustamento do emprego no setor público. O desemprego jovem continua a constituir especial preocupação, com a taxa a aumentar para 38,2% no primeiro trimestre de 2013. A população empregada diminuiu 4,2% em 2012 e a

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<sup>1</sup> Como indicado no ofício dirigido pelo Secretariado Geral aos Embaixadores em 13 de setembro de 2012 (Ares (2012) 1063684).

<sup>2</sup> Estes relatórios, juntamente com outras informações relativas ao Programa de Ajustamento Económico, podem ser consultados em [http://ec.europa.eu/economy\\_finance/assistance\\_eu\\_ms/portugal/index\\_en.htm](http://ec.europa.eu/economy_finance/assistance_eu_ms/portugal/index_en.htm).

taxa de emprego diminuiu 2,6 pontos percentuais. O número de trabalhadores subempregados, a tempo parcial, que corresponde a 5,9% do total da população empregada, aumentou 16,6% desde o final de 2011. A percentagem de jovens com idades compreendidas entre os 15 e os 24 anos que não têm emprego nem estão inscritos no ensino ou em formação (NEET) também tem vindo a aumentar, tendo atingido 14,1% no último trimestre de 2012, e 32,8% dos desempregados com menos de 25 anos de idade estão sem emprego há mais de 12 meses. Uma outra fonte de preocupação importante é o aumento do desemprego de longa duração, que representava 51,1% do desemprego total no final de 2012.

**O PIB real deverá diminuir 2,3% este ano e aumentar 0,6% e 1,5% em 2014 e 2015, respetivamente.** O último trimestre de 2012 foi significativamente pior do que o previsto, tanto no que respeita à atividade económica como à evolução do mercado laboral. A contração em 3,2% do PIB em 2012 foi induzida por uma queda da procura interna de cerca de 7%, que só foi parcialmente compensada pelas exportações líquidas. Para além das repercussões negativas da contração superior ao que era previsto no quarto trimestre de 2012, a revisão em baixa das previsões macroeconómicas em 2013 deve-se principalmente a uma deterioração das perspetivas de crescimento nos mercados de exportação de Portugal, bem como a uma quebra mais forte e mais persistente do consumo privado devido a um desemprego superior ao previsto e ao aumento dos impostos. Embora seja de esperar que a atividade económica atinja o fundo na segunda metade do ano, o abrandamento da procura interna e a fragilidade do mercado laboral deverão continuar a exercer pressão no sentido da diminuição dos salários e dos preços. O crescimento económico deverá tornar-se mais equilibrado em 2015, quando se prevê que a contribuição da procura interna passe a ser positiva.

**Portugal começou a recuperar parcialmente o acesso aos mercados de capital.** Em 2013, tiveram lugar vendas bem-sucedidas de dívida pública a 5 e a 10 anos, no montante de 2,5 mil milhões de euros e de 3 mil milhões de euros, respetivamente. Além do mais, o Tesouro Português tem vindo a leiloar regularmente cupões a 3, 6, 12 e 18 meses, apoiando-se numa forte procura e em rendimentos significativamente inferiores ao que acontecia em 2011. Assim, o Tesouro constituiu uma reserva de tesouraria substancial no início de 2013. Essa reserva elimina a pressão de financiamento e permite dispor de uma margem caso as condições de mercado das emissões de obrigações venham a deteriorar-se. Por outro lado, o Eurogrupo e o Conselho ECOFIN concordaram em prolongar os prazos de vencimento dos empréstimos do MEEF e do FEEF a Portugal através do aumento em 7 anos do seu vencimento médio ponderado, em resultado da execução eficaz do programa.

(6) Desafios económicos

(7) **POLÍTICA ORÇAMENTAL E FISCALIDADE**

**O défice das administrações públicas atingiu 6,4% do PIB em 2012, em termos de contabilidade nacional, ultrapassando o limiar de 5%.** Várias grandes operações pontuais, como a injeção de capital no banco público, a CGD, e o reencaminhamento da conversão dos empréstimos acionistas para uma empresa pública (Sagestamo) contribuíram para esse resultado. Além disso, a venda da concessão do aeroporto de Lisboa não foi registada como uma operação que contribuiu para a redução do défice, como estava inicialmente previsto. O objetivo para o défice no final do ano em termos de tesouraria das administrações públicas foi cumprido em resultado de uma contração significativa das despesas para compensar uma

quebra generalizada das receitas fiscais devido ao abrandamento da atividade económica. A contenção de despesas foi alcançada, nomeadamente, através de uma redução mais rápida do que o previsto da função pública, de poupanças nos consumos intermédios e do congelamento das dotações orçamentais para novos projetos de investimento. A execução dos orçamentos regionais e locais correu melhor do que o esperado.

**A consolidação orçamental deverá continuar nos próximos anos.** Na 7.<sup>a</sup> avaliação trimestral do programa, a missão da CE-BCE-FMI deu o seu apoio a uma revisão dos objetivos para o défice, que passariam de 4,5% para 5,5% do PIB em 2013 e de 2,5% para 4% do PIB em 2014. Esta trajetória mantém um ajustamento estrutural primário de quase 9% ao longo do período 2011-2015, permitindo ao mesmo tempo a entrada em funcionamento dos estabilizadores orçamentais automáticos e tomando em conta os condicionalismos de financiamento e da dívida, assim como os custos sociais do ajustamento. A consolidação deverá prosseguir para além do período de vigência do programa, por forma a reconduzir o défice para um nível claramente inferior ao limiar de 3% do PIB até 2015.

**Com um valor de 33,2% em 2011, o rácio receita fiscal/PIB em Portugal está abaixo da média da UE-27, que é de 38,8%.** A estrutura fiscal caracteriza-se por uma forte dependência dos impostos indiretos, que representam 42,2% da receita total. Após uma queda abrupta em 2009, a coleta do imposto sobre o rendimento das pessoas coletivas e do IVA melhorou, em percentagem do PIB. Cabe aqui notar que tanto a taxa normal como as taxas reduzidas de IVA têm vindo a ser progressivamente aumentadas desde 2010. A carga fiscal implícita sobre o fator trabalho é a terceira mais baixa da UE, atingindo 25,5%. O rácio entre os impostos ambientais e o PIB é semelhante á média da UE, mas os impostos sobre a propriedade, que representam 1,1% do PIB, estão abaixo da média da UE, que é de 2,1%.

**A trajetória do ajustamento orçamental para 2013 e 2014 assenta num esforço permanente e orientado de consolidação com base em medidas discricionárias.** A Lei Orçamental de 2013 inclui, no lado da despesa, reduções da massa salarial do setor público, esforços de racionalização no setor da saúde, nas empresas públicas e nas PPP e a racionalização das despesas sociais. Do lado da receita, o programa prevê uma reestruturação do imposto sobre o rendimento das pessoas singulares (IRS), uma majoração de 3,5% imposta à parte do rendimento tributável acima do salário mínimo e uma sobretaxa de solidariedade para os rendimentos mais altos, uma contribuição extraordinária e progressiva para a segurança social que irá recair sobre as pensões de reforma de modo a fazer face a desafios de sustentabilidade ligados ao envelhecimento da população, impostos especiais sobre o consumo mais elevados sobre álcool, tabaco e gás natural e o alargamento do âmbito de aplicação do IMI na sequência da reavaliação dos imóveis. Globalmente, as medidas orçamentais previstas ascendem a mais de 3 % do PIB. Em 5 de abril, porém, o Tribunal Constitucional rejeitou algumas medidas que estavam inscritas no Orçamento para 2013, no valor de 0,8% do PIB.

**Em abril e no início de maio de 2013, o Governo adotou um pacote de medidas permanentes de redução da despesa com um valor cumulativo de 4,7 mil milhões de euros (2,8% do PIB) em 2013 e 2014.** Estas medidas foram principalmente elaboradas na sequência da ampla revisão das despesas públicas recentemente levada a cabo e identificam a maior parte das poupanças necessárias para cobrir o desvio orçamental criado pelo acórdão do Tribunal Constitucional e para cumprir os objetivos estabelecidos para o défice em 2013-2014. As medidas permanentes do lado da despesa em causa visam racionalizar e modernizar

a administração pública, aumentar a sustentabilidade do sistema de pensões e alcançar poupanças suplementares no âmbito dos ministérios setoriais.

**O rácio dívida/PIB atingiu cerca de 123,6% em 2012, em parte devido ao tratamento estatístico das transferências das receitas da privatização da Parpública para o Estado.** No futuro, a dívida das administrações públicas deverá diminuir gradualmente, depois de atingir um pico em 2014, em consequência da consolidação orçamental prevista, associada a medidas específicas para inverter a tendência de aumento da dívida.

**O quadro orçamental está a ser reforçado.** A Lei de Enquadramento Orçamental foi alterada em janeiro de 2013, com o objetivo de integrar os requisitos que exigem um reforço do quadro nacional de governação orçamental, decorrentes em particular do «pacote de seis» e do Tratado sobre Estabilidade, Coordenação e Governação na União Económica e Monetária<sup>3</sup>, que Portugal ratificou. O enquadramento da política regional e local está também a ser reforçado. Foram adotados projetos legislativos respeitantes às finanças regionais e locais, que aplicam os princípios da Lei de Enquadramento Orçamental e do quadro reforçado de política orçamental da UE. Esses diplomas determinam mecanismos de coordenação melhorados entre a administração central e as administrações locais e regionais, um quadro orçamental plurianual e regras orçamentais mais estritas. O regime jurídico da reorganização administrativa das entidades locais entrou em vigor no ano passado, prevendo a redução do número de freguesias em pelo menos 25%. Por outro lado, a nova lei-quadro das atribuições e competências locais foi adotada pela Assembleia da República e constitui a base jurídica para uma divisão mais eficiente do trabalho entre as administrações central e local. O Governo Regional da Madeira efetuou progressos em matéria de consolidação orçamental e de reformas na gestão das finanças públicas. Apesar das receitas decepcionantes, o objetivo para o défice regional em 2012 foi atingido, devido a um bom controlo das despesas.

**A execução de medidas no setor da saúde continua, em termos gerais, a decorrer em conformidade com os objetivos estabelecidos, e começa a gerar poupanças significativas.** As receitas das taxas moderadoras (co-pagamento) e das taxas cobradas aos pacientes transfronteiras/estrangeiros duplicaram em 2012 comparativamente a 2011 (num montante suplementar de 110 milhões de euros). Está a ser aplicado um vasto conjunto de medidas destinadas a racionalizar as despesas com produtos farmacêuticos e a melhorar a relação custo/eficácia na utilização dos medicamentos. Estas medidas estão a dar origem a importantes poupanças tanto no setor público (470 milhões de euros desde 2010) como em termos de despesa privada (cerca de 100 milhões de euros). Foram igualmente conseguidas poupanças significativas no setor hospitalar. Os custos operacionais sofreram uma redução de 6% em 2012, por comparação com 2011 (cerca de 316 milhões de euros). Cerca de 1,5 mil milhões de euros de dívida vencida e pagamentos em atraso foram regularizados e um montante adicional de 1 432 milhões de euros está disponível para o pagamento de grande parte dos restantes pagamentos em atraso. O ano de 2013 será, contudo, crucial: será necessário garantir novas e importantes poupanças, tanto em termos de produtos farmacêuticos como no setor hospitalar em termos gerais, para atingir as metas fixadas no ME. Mais especificamente, deverá começar a ser aplicado o plano de reorganização hospitalar que as autoridades se comprometeram a levar a cabo.

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<sup>3</sup> O prazo para a transposição da Diretiva 2011/85/UE, que estabelece requisitos aplicáveis aos quadros orçamentais dos Estados-Membros, decorre até 31 de dezembro de 2013, e o prazo para o Tratado Intergovernamental até 1 de janeiro de 2014.

(8) Setor financeiro

**Os riscos para a estabilidade financeira estão a ser bem geridos.** A recapitalização do setor bancário foi concluída, aumentando a sua capacidade de resistência às condicionantes macroeconómicas. As condições de financiamento e de liquidez dos bancos continuaram a melhorar. Alguns bancos exploraram os mercados internacionais através de obrigações cobertas e de empréstimos não garantidos. A contração de empréstimos junto do Banco Central Europeu diminuiu, em parte devido à maior liquidez injetada no sistema. Os depósitos mantiveram-se em níveis muito semelhantes ao período anterior ao programa de assistência. O reforço dos enquadramentos da supervisão e da resolução bancárias está quase concluído. Foram criados novos instrumentos para a reestruturação do endividamento das empresas e das famílias, que começam a dar os seus frutos, embora a eficácia destes instrumentos precise de ser acompanhada de perto. As taxas de juro cobradas pelos bancos continuam a registar valores elevados em comparação com outros países da área do euro.

**As condições de crédito para as empresas melhoraram ligeiramente mas continuam a ser difíceis, em particular para as PME, com as taxas de juro para os novos empréstimos a serem frequentemente mais elevadas do que a média da área do euro.** As medidas destinadas a assegurar um financiamento adequado às PME viáveis incluem uma avaliação da eficácia das linhas de crédito com garantia do Estado. A fim de limitar o impacto das estratégias de desalavancagem dos bancos sobre a sua capacidade de financiamento do setor empresarial, estão a ser consideradas novas opções de financiamento, como o desenvolvimento de um mercado de papel comercial para as PME ou a melhor partilha de informações sobre a qualidade de crédito graças a um registo central.

(9) Mercado de trabalho, política de educação e políticas sociais

**A taxa de emprego atingiu um pico em 2008, com 73,1%, e tem vindo a baixar desde então.** Em 2012, atingiu um nível historicamente baixo, de 66,5%. Esta tendência muito negativa é explicada pela rápida deterioração do mercado laboral durante a crise económica. O cumprimento do objetivo nacional 75% até 2020 está a revelar-se um desafio. A reforma do mercado laboral adotada no ano passado, a aplicação de um conjunto de políticas ativas para o mercado de trabalho cofinanciadas pelos Fundos Estruturais e a reforma dos serviços públicos de emprego destinam-se a inverter as tendências negativas e a promover a criação de emprego.

**Foi aprovada uma reforma global do mercado laboral, que entrou em vigor no ano passado.** O novo quadro jurídico reduziu as indemnizações por despedimento, simplificou a definição de despedimento individual por justa causa, aumentou a flexibilidade do tempo de trabalho, alargou a margem de manobra para a negociação a nível das empresas e procedeu a uma revisão do regime de prestações de desemprego no sentido de aumentar os incentivos a um rápido regresso ao trabalho, garantindo simultaneamente um nível suficiente de proteção, em especial durante a recessão em curso. A promoção de uma vida ativa mais longa e o adiamento das decisões de passagem à reforma deverão também contribuir para melhorar a adequação das futuras pensões. Além disso, os acordos coletivos setoriais terão de cumprir um limiar de representatividade antes que se possa considerar a sua possível extensão a todo o setor. Mais recentemente, foi apresentado na Assembleia da República um projeto de lei que prevê uma nova redução das indemnizações por despedimento. Paralelamente, as



autoridades reforçaram as políticas ativas do mercado de trabalho através do reforço da ativação, do lançamento de um regime de subvenção dos salários, da melhoria da oferta de formação e da execução de ações específicas que visam o desemprego dos jovens, tais como estágios e incentivos à contratação no contexto da iniciativa «Oportunidades para a Juventude», lançada pela Comissão Europeia. Está também em curso uma reforma dos serviços públicos de emprego, com vista a aumentar a sua eficácia. Contudo, e apesar de todas estas medidas, a realização da estratégia Europa 2020 para o emprego continuará a representar um grande desafio. Além disso, Portugal visa reduzir em 200 000 até 2020 o número de pessoas em risco de pobreza ou de exclusão social.

**A redução das taxas de abandono escolar precoce tem sido significativa.** O abandono escolar precoce tem vindo a diminuir gradualmente ao longo da última década, passando de 45% em 2002 para 20,8% em 2012. No entanto, continua a ser dos mais altos na UE, estando significativamente acima da média. As medidas políticas mais importantes para atingir o objetivo nacional de 10% são o desenvolvimento de uma ferramenta de monitorização que prevê os meios necessários para acompanhar os resultados por escola e por aluno, o reforço da avaliação externa das escolas, o alargamento das redes de escolas com acordos de autonomia e a criação de um sistema de formação dual no ensino secundário, no qual parte do ensino será desenvolvido em cooperação com a comunidade empresarial.

**A percentagem de pessoas da classe etária dos 30-34 anos com ensino superior tem vindo a aumentar gradualmente.** Atingiu 27,2% em 2012, contra 17,7% em 2005, mas continua a ser bastante inferior à média da UE. Além disso, existe uma parte substancial da população com baixos níveis de educação. O objetivo de 40% até 2020 exigirá esforços significativos e um grande empenhamento das autoridades portuguesas. A revisão do sistema de ensino superior para que este se adeque melhor às necessidades do mercado e o reforço da capacidade e da qualidade das instituições de ensino superior a fim de as tornar mais flexíveis contam-se entre as principais medidas neste domínio.

**Portugal comprometeu-se a reduzir em 200 000 até 2020 o número de pessoas em risco de pobreza.** Apesar da crise económica, entre 2008 e 2011 o número de pessoas em risco de pobreza diminuiu em 92 000, mas mantém-se elevado, atingindo 2,6 milhões de pessoas. Em geral, as medidas adotadas no contexto da aplicação do Programa de Ajustamento Económico foram concebidas de forma a proteger os grupos mais vulneráveis da sociedade. Além disso, esses grupos foram particularmente objeto de medidas ativas do mercado de trabalho destinadas a facilitar o seu acesso ao mercado de trabalho.

#### (10) Reformas estruturais em prol do crescimento e da competitividade

**Em 23 de abril de 2013, o Conselho de Ministros aprovou uma «estratégia para o crescimento, o emprego e o desenvolvimento industrial no período 2013-2020».** Os desequilíbrios estruturais e a perda de competitividade são identificados como os motivos subjacentes para o fraco crescimento de Portugal na última década. É defendida a reindustrialização, na medida em que a indústria transformadora é considerada fundamental para o desenvolvimento no contexto de um mundo globalizado. A estratégia faz também referência à «nova política industrial europeia» apresentada pela Comissão. São identificados pontos fracos da indústria portuguesa, ao nível das tecnologias e da inovação, de uma forte concentração regional e da estrutura fragmentária das empresas. São igualmente descritas

outras das deficiências mais frequentemente referidas, como a burocracia, as ligações entre o sistema de ensino e as empresas, os portos e o transporte ferroviário, o reduzido número de patentes ou o aparelho judicial. As principais vantagens concorrenciais são identificadas nas infraestruturas rodoviárias e de telecomunicações, na posição geoestratégica e linguística de Portugal, no potencial económico do mar, nos recursos naturais e em determinadas características da população. A estratégia estabelece **objetivos quantitativos** a atingir até 2020: um crescimento potencial de 2% (0,7% no período 2000-2010), que colocaria Portugal entre os 5 primeiros países da UE na classificação *Doing Business* (12.º, em 2013), aumento do rácio exportações/PIB para 50% (29% no período 2000-2010), aumento da percentagem da indústria no VAB total para 17% (14% em 2012), taxa de emprego de 75% (66,5% em 2012), 200 000 participantes em ações de formação profissional dual (140 000 em 2012) e aumento das despesas em I&D para 3,3% do PIB (1,5% em 2011). A estratégia é constituída por **oito eixos de ação**, com diversas medidas: 1) qualificação e formação profissional; 2) financiamento das empresas; 3) consolidação e revitalização do setor empresarial; 4) redução dos «custos de contexto» para os investimentos; 5) tributação mais moderna, competitiva e estável das empresas; 6) internacionalização da economia; 7) empreendedorismo; 8) infraestrutura logística.

**O notável progresso observado até 2008 em termos de aumento do nível da despesa interna bruta em investigação e desenvolvimento, tanto pública como privada, estagnou.** As despesas neste domínio atingiram 1,5% do PIB em 2011, o que continua a estar longe tanto da média da UE como do objetivo nacional até 2020, que é de 2,7% do PIB. As principais ações destinadas a alcançar esse objetivo são a estratégia nacional de investigação, desenvolvimento e inovação, o programa de investigação aplicada e transferência de tecnologias para as empresas e o novo sistema de incentivos financeiros à investigação e aos desenvolvimentos comerciais.

**Foram realizados progressos significativos na transposição do terceiro pacote energético, e está em curso um processo de redução do défice tarifário do setor da eletricidade, por forma a garantir a sustentabilidade do sistema.** A economia portuguesa, em especial no setor industrial, continua a apresentar uma elevada intensidade de utilização de energia e de emissões de carbono. O Governo aplicou diversas medidas para resolver a questão do défice tarifário do setor da eletricidade, reduzindo os custos/subsídios aos produtores. No entanto, algumas das poupanças previstas não foram conseguidas. O impasse nas negociações sobre as centrais de Sines e do Pego, associado a determinados fatores externos, como a contração da procura, implicará uma reavaliação das projeções da evolução do défice tarifário, o que poderá exigir medidas adicionais. A política de redução de custos através da revisão em baixa dos custos irrecuperáveis do extinto Contrato de Aquisição de Eletricidade (CMEC) e de dois outros acordos a longo prazo permitiu obter uma poupança de 120 milhões de euros. A legislação que visa compensar os produtores de energia eólica foi aprovada. Foi também introduzida uma duração máxima para as tarifas de aquisição de energia produzida em centrais mini-hídricas. O novo regime de subvenções ao abrigo do mecanismo de garantia de potência foi aprovado em 2012, prevendo-se poupanças de 440 milhões de euros. No que respeita à co-geração, o regime de remuneração foi revisto e as novas tarifas de referência foram aprovadas, com poupanças superiores às projeções iniciais. Foi adotada nova legislação de aplicação do terceiro pacote energético, que confere ao regulador a necessária autonomia, independência e poderes de aplicação de sanções. Tendo em vista cumprir a primeira etapa do mercado pan-ibérico do gás, ou seja, a harmonização das tarifas de transporte transfronteiras entre Portugal e Espanha, o primeiro passo foi a

realização uma consulta pública sobre uma estrutura tarifária comum. A segunda etapa será a introdução de um mecanismo harmonizado de afetação e gestão dos congestionamentos, a fim de assegurar a capacidade de interligação. O acompanhamento num formato harmonizado da realização do objetivo de 20% para a eficiência energética será assegurado com base na Diretiva Eficiência Energética a partir de abril de 2013.

**Portugal comunicou poupanças energéticas de 16,5%, em 2011, por comparação com 2005, na recente atualização dos objetivos da estratégia Europa 2020.** Esse valor coloca o país em boa posição para atingir o objetivo de 20% até 2020. A quota das energias renováveis no consumo final de energia era de 24,9% em 2011, muito próximo dos 24,6% observados em 2000. Apesar de ser muito superior à média da UE, o objetivo nacional de 31% até 2020 exigirá esforços significativos. As emissões de gases com efeito de estufa em 2011 foram 8% inferiores às de 2005. Este valor é, no entanto, explicado em grande medida pela redução da atividade económica causada pela crise económica.

**No setor dos transportes, os progressos conseguidos na reforma do setor ferroviário têm sido lentos, embora se preveja que as reformas no setor portuário permitam reduzir os custos em 25% a 30% nos próximos anos.** O gestor da infraestrutura ferroviária (REFER) registou progressos no sentido de alcançar o equilíbrio operacional até 2015 através da racionalização, do encerramento das linhas não rentáveis e de reduções do pessoal, mas o seu elevado endividamento continua a ser um problema. A privatização da CP Carga e a transferência dos seus terminais ferroviários sofreram atrasos. O facto de os terminais ferroviários de carga não estarem separados da restante atividade (*unbundling*) é um dos principais entraves à entrada no setor. Foi adotado um Decreto-Lei que estabelece a base jurídica para o novo regulador dos transportes (IMT), resultante da fusão dos três antigos reguladores (caminhos-de-ferro, portos e estradas). Terão de ser assegurados recursos adequados para esse novo organismo. Os planos respeitantes ao lançamento das concessões para as empresas que prestam serviços de transporte nas áreas metropolitanas de Lisboa e do Porto estão em preparação e deverão estar concluídos até ao final do ano. A nova legislação para os trabalhos portuários entrou em vigor em fevereiro de 2013. Além disso, o Governo anunciou a revisão dos contratos de concessão com os operadores portuários, que constitui um passo fundamental para reduzir os custos e aumentar a competitividade dos portos portugueses. Em novembro de 2012, entrou em vigor uma redução das tarifas portuárias em 20%.

**Foram adotadas medidas significativas em matéria de liberalização tanto dos serviços como das profissões regulamentadas, sendo necessários progressos mais decisivos na criação dos balcões únicos.** Mais de dois terços das alterações setoriais que serão necessárias para a integral aplicação da Diretiva Serviços já foram adotadas ou apresentadas à Assembleia da República para esse fim. Essas alterações são necessárias para reduzir os obstáculos à entrada no mercado e facilitar o funcionamento das empresas que se confrontam com 68 regimes jurídicos diferentes, com significado económico variável. Ainda deverão ser adotadas alterações à restante legislação setorial, nomeadamente nas áreas da construção e do ensino superior. Além disso, foi adotada legislação horizontal para a reforma dos serviços regidos por associações profissionais. Para concluir a reforma, essas associações profissionais terão de apresentar propostas de alteração dos respetivos estatutos e regulamentos internos a fim de assegurar a conformidade com os princípios estabelecidos na legislação pela supressão de requisitos para o exercício da profissão que não sejam justificados ou proporcionados. Trata-se de um passo decisivo na liberalização do exercício e da atividade das profissões

fortemente regulamentadas. No que respeita ao processo de desregulamentação das profissões não regulamentadas por associações profissionais, e após a eliminação das reservas de atividade em sete desses casos, foi lançada uma segunda fase que consiste em identificar e reduzir os requisitos para o acesso à profissão que possam ter deixado de ser justificados ou proporcionados. Além disso, entraram em vigor alterações à legislação de transposição da Diretiva Qualificações Profissionais, que visam facilitar a livre circulação dos profissionais entre Portugal e os outros Estados-Membros. É necessário progredir mais rapidamente para a plena criação do balcão único, de modo a complementar os progressos realizados na transposição da Diretiva Serviços e da Diretiva Qualificações Profissionais e a aumentar a visibilidade dos esforços destinados a reduzir a carga administrativa para os empresários e a atrair o investimento.

**Diversos atos legislativos estão a ser revistos no sentido de reduzir os procedimentos de licenciamento em excesso.** Essa ambiciosa reforma legislativa deverá estar concluída até ao final do ano e abrange os domínios do ambiente e do ordenamento do território, da utilização dos solos, industrial, comercial, da produção mineira e do turismo. Inclui a revisão de importantes regimes jurídicos como a lei de base para a utilização dos solos e o planeamento territorial e urbano, um novo quadro jurídico para as Reservas Ecológicas Nacionais, um novo quadro jurídico para o urbanismo e a construção, um novo quadro para o registo cadastral e um regime renovado de licenciamento industrial. Os princípios que regem estas reformas estão a evoluir de uma abordagem «*ex ante*», que implica um controlo e uma autorização prévia pela administração, para o princípio da «autorização zero», baseado no controlo «*ex post*» pela administração. Além disso, deverá ser criado um grupo de trabalho interministerial para realizar um inventário completo e uma análise dos custos de toda a regulamentação para a economia a nível central, regional e local. Esses elementos servirão de base para um futuro roteiro de simplificação do quadro regulamentar.

**Uma reforma abrangente do mercado de arrendamento habitacional entrou em vigor em novembro de 2012.** O novo quadro jurídico deverá aumentar o dinamismo do mercado da habitação. Procura estabelecer um equilíbrio entre os direitos e obrigações dos senhorios e dos inquilinos, eliminando gradualmente, ao longo de um período transitório máximo de 5 anos, o antigo sistema de contratos de duração indeterminada assinados antes da década de 1990, cujas rendas estiveram congeladas e que não podem ser rescindidos pelos senhorios. Prevê ainda uma atualização das rendas e maior flexibilidade na escolha do período de vigência do contrato, estabelecendo ainda mais incentivos à renovação e um novo procedimento extrajudicial de despejo, muito mais rápido. Uma nova lei que simplifica os procedimentos administrativos para as obras de renovação foi adotada no quadro desse mesmo pacote.

#### (11) Modernizar a administração pública

**As autoridades estão a progredir significativamente em matéria de racionalização da administração central.** Foi concluída a redução do número de gestores e unidades administrativas nos termos do programa para a redução e melhoria da administração central (PREMAC). Foi adotada nova legislação em matéria de tempo de trabalho e de mobilidade geográfica. Ao longo do próximo ano, será de prever um aprofundamento da reforma da administração pública já levada a cabo, abordando as questões da formação e da requalificação por forma a assegurar uma melhor atribuição dos recursos humanos, nomeadamente através do regime de mobilidade especial. A redução de efetivos está a progredir a um ritmo mais rápido do que o inicialmente previsto, com uma redução global de

4,6% em 2012, por comparação com o objetivo de 2%, de acordo com as mais recentes estimativas das autoridades portuguesas. O processo de racionalização do apoio público às fundações, um tipo específico de entidades parapúblicas, está praticamente concluído.

**Vários diplomas legislativos já adotados deverão reforçar os poderes dos reguladores no sentido da preservação e promoção da concorrência e do aceleração dos pagamentos pela administração pública e pelas empresas.** O Governo apresentou à Assembleia da República um projeto de lei-quadro que estabelece os princípios fundamentais do funcionamento das principais Autoridades Reguladoras Nacionais (ARN) e da autoridade da concorrência, norma essa que constitui um importante marco na habilitação das ARN identificadas (reguladores dos setores dos seguros, do mercado de valores mobiliários, da energia, das comunicações, dos transportes aéreos, da saúde, da água e do tratamento de resíduos, bem como a autoridade da concorrência) e de garantia da sua forte independência e autonomia, importante condição prévia para o funcionamento eficiente dos setores envolvidos e para uma aplicação efetiva das regras de concorrência no conjunto da economia. Em junho de 2012, entrou em vigor uma nova Lei da Concorrência. O objetivo dessa lei é assegurar que a autoridade da concorrência de Portugal esteja em condições de aplicar efetivamente as regras da concorrência e seja equipada de poderes de investigação adequados, tal como acontece com outras autoridades da concorrência na UE. Foi também adotado m quadro jurídico revisto em matéria de contratos públicos. O novo quadro visa em particular o regime de adjudicação de obras e serviços complementares, bem como os erros e omissões, elimina as isenções que permitiam o ajuste direto, e retira o requisito de investir em projetos de I&D para os contratos de valor superior a 25 milhões de euros. O Governo adotou também um Decreto-Lei que transpõe a Diretiva Atrasos de Pagamento (Diretiva 2011/7/CE). De acordo com essa diretiva, o prazo de pagamento nas transações comerciais em que o devedor é uma entidade pública não deve exceder 30 dias de calendário, não devendo ser superior a 60 dias de calendário nas transações entre empresas. Estes prazos serão obrigatoriamente aplicáveis às operações comerciais celebradas após 16 de março de 2013 e deverão contribuir para atenuar os problemas de liquidez das empresas.

**As empresas estatais atingiram, globalmente, o equilíbrio operacional.** Do lado da despesa, as reduções de custos resultaram, na sua maioria, de cortes salariais (suspensão do 13.º e 14.º mês em 2012) e da redução no emprego, combinados com medidas na melhoria da eficiência. Do lado da receita, foram aumentadas as diferentes taxas e diminuídas as isenções. Em 2013, a reposição do 13.º e do 14.º mês deverá ser compensada por novas medidas destinadas a diminuir o emprego, a conter os salários, a reduzir as despesas correntes e a racionalizar os investimentos, assegurando ao mesmo tempo uma aplicação estrita da lei de controlo dos compromissos.

**O calendário de privatizações constante do Programa de Ajustamento Económico foi confirmado.** Após a venda das participações do Estado nas empresas Energias de Portugal (EDP) e Rede Elétrica Nacional (REN), no início de 2012, num montante global de cerca de 3,3 mil milhões de euros, o operador aeroportuário Aeroportos de Portugal (ANA) foi vendido em 2013, gerando uma receita superior a 3 mil milhões de euros. A privatização da companhia aérea TAP, que é propriedade do Estado, bem como do operador de transporte ferroviário Comboios de Portugal (CP) deverá ser assinada ainda este ano.

**O Governo lançou a uma renegociação das parcerias público-privadas (PPP) no setor rodoviário, a partir da qual se preveem poupanças significativas.** A primeira fase das negociações, que incidiu sobre uma redução do âmbito dos contratos de subconcessão

rodoviária ainda em fase de construção, concluída em outubro, visava obter poupanças de 1 000 milhões de euros. A segunda fase da renegociação terá lugar em conformidade com o novo quadro jurídico para as PPP. O objetivo é rever o cenário de base em todas as PPP rodoviárias, de modo a que o parceiro privado possa assumir uma parte maior dos riscos e impondo uma menor taxa de rentabilidade interna para os acionistas. As poupanças adicionais previstas no orçamento para 2013 incluem medidas operacionais ao nível da cobrança de portagens e da revisão dos critérios de nível de serviço, decorrentes do quadro regulamentar que está atualmente a ser atualizado. Este esforço de renegociação, a ser mantido, terá um impacto positivo significativo sobre o orçamento público, garantindo ao mesmo tempo uma redução sustentável do passivo das administrações públicas.

**As reformas do setor judicial continuam a progredir.** A legislação em matéria de insolvência foi alterada com vista a dar mais apoio à rápida recuperação das empresas viáveis. Em 2012, entraram na fase operacional os tribunais especializados em matéria de concorrência e de direitos de propriedade intelectual. Continuam a ser desenvolvidos esforços para diminuir o número de processos em atraso, nomeadamente pela criação de uma *task force* para acelerar o processo e pelo acompanhamento trimestral da evolução da situação. O número total de casos de aplicação foi reduzido em cerca de 165 000 desde novembro de 2011. No que respeita à organização dos tribunais, foi apresentado à Assembleia da República um roteiro para a reforma do sistema judiciário que visa alinhar a repartição administrativa e judicial do território, racionalizar a estrutura dos tribunais e melhorar a sua gestão. O Governo português realizou também progressos significativos na consolidação do mecanismo alternativo para a resolução de litígios, a fim de facilitar a resolução extrajudicial de litígios. No seguimento da adoção de uma Lei da Arbitragem, em 2011, as autoridades tomaram as medidas jurídicas, administrativas e outras necessárias para a plena operacionalidade da arbitragem, antes do final do prazo previsto para esse efeito. Por outro lado, o Governo apresentou à Assembleia da República uma proposta com vista a uma ambiciosa reforma do Código de Processo Civil, incluindo um certo número de medidas destinadas a acelerar a tramitação judicial.

#### (12) Progressos na realização dos objetivos da estratégia Europa 2020

Os progressos no sentido da realização dos objetivos da estratégia Europa 2020 são variáveis. Embora a tendência seja satisfatória no que respeita aos objetivos relacionados com a educação e com a eficiência energética, as tendências positivas que vinham sendo observadas a nível do emprego e da I&D inverteram-se nos últimos anos. Até à data, os indicadores de pobreza têm permanecido relativamente estáveis, mas é importante ter em conta que costumam apresentar um desfasamento de dois anos.

| <b>Objetivos da Estratégia Europa 2020</b> |  |  |  |
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|  | <b>Situação atual</b>  | <b>Evolução no último ano</b>  | <b>Objetivos da Estratégia Europa 2020</b> |
| Abandono escolar precoce (%)               | <p>20,8% em 2012.</p> <p>O abandono escolar precoce diminuiu gradualmente na última década, a partir de uma taxa de 45% em 2002. No entanto, a taxa continua a ser uma das mais elevadas da UE e mais do dobro da média da UE.</p> <p>Em termos de competências básicas, o desempenho dos jovens de 15 anos nos testes PISA tem evoluído de forma positiva na última década. Enquanto nos inquéritos PISA 2000 e PISA 2006 a percentagem de alunos com fraco desempenho foi significativamente superior à média da UE nos três domínios avaliados, em 2009 essa percentagem já foi inferior à média da UE para a leitura e a literacia científica.</p> | <p>A Decisão 2011/344/UE do Conselho e o programa de assistência instam as autoridades portuguesas a lutar contra o abandono escolar precoce e a melhorar a qualidade do ensino secundário e profissional e da formação, com vista a aumentar a qualidade do capital humano e facilitar a resposta às necessidades do mercado do trabalho.</p> <p>Neste contexto, os sistemas de análise, acompanhamento, avaliação e informação em matéria de educação e formação permitem obter dados inteiramente fiáveis sobre a gestão financeira e as medidas de poupança.</p> <p>Foi levada a cabo uma revisão da estrutura curricular do ensino básico e secundário, acompanhada da fixação de objetivos curriculares.</p> <p>Foi aprovada nova legislação sobre os contratos de autonomia (Decreto-Lei n.º 137/2012 e Portaria n.º 265/2012. A oferta e os currículos do ensino e formação profissional (EFP) foram analisados e está em curso a reestruturação do seu atual modelo; procuram-se desenvolver escolas profissionais de referência em parceria com o setor privado.</p> | 10%  |

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| <p>Nível de habilitações do ensino superior (%)</p> | <p>27,2% em 2012.</p> <p>Registaram-se progressos notáveis, partindo de taxas a rondar os 11% no início da última década. Contudo, a taxa de frequência do ensino superior continua significativamente abaixo da média da UE. Além disso, existe uma parte substancial da população com baixos níveis de habilitação académica. Mais de 7 em cada 10 portugueses possuem um baixo nível de habilitações, o que corresponde quase ao triplo da média da UE (28,1%).</p>             | <p>As medidas mais recentes que contribuem para a realização deste objetivo, incluem: a racionalização e diversificação da oferta de ensino superior e formação, em especial medidas destinadas a facilitar a resposta às necessidades do mercado do trabalho, o que inclui a criação de novos cursos de nível 5 ministrados por institutos politécnicos (Cursos Superiores Especializados); o reforço da capacidade e da qualidade das instituições de ensino superior; e o apoio à contratação de licenciados.</p> <p>No entanto, os dados respeitantes às taxas de inscrição em 2011 mostram que o número de novos alunos inscritos no ensino superior diminuiu pela primeira vez desde 2006. As razões subjacentes devem ser examinadas de forma mais aprofundada para identificar a resposta adequada tendo em conta a realização dos objetivos de Portugal.</p> | <p>40%</p>   |
| <p><b>Eficiência energética</b></p>                 | <p>Portugal comunicou no seu PNR um objetivo nacional para 2020. São referidas melhorias significativas nos setores residencial e dos serviços, principalmente através de medidas destinadas a aumentar o número de edifícios com certificado de desempenho energético e a melhorar os sistemas de iluminação e os eletrodomésticos. As indústrias portuguesas continuam a utilizar energia intensivamente, claramente acima da média da UE, apesar da proporção relativamente</p> | <p>O acompanhamento num formato harmonizado da realização do objetivo de 20% para a eficiência energética será assegurado com base na Diretiva Eficiência Energética a partir de abril de 2013.</p>   | <p>Objetivos indicativos nacionais de eficiência energética para 2020: redução em 25%, por comparação com as projeções, da utilização de energia primária em 2002. Isso implica que o consumo de energia primária deverá limitar-se a 22,5 Mtep em 2020. Portugal estabeleceu um objetivo indicativo nacional de eficiência energética em conformidade com os artigos 3.º e 24.º da Diretiva Eficiência Energética (2012/27/UE). Expressou também esse</p> |



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|                            | <p>baixa das chamadas indústrias com grande intensidade energética.</p> <p>Portugal está atualmente a rever o seu Plano Nacional de Ação para a Eficiência Energética (PNAEE). Considerando os benefícios da eficiência energética em termos de competitividade, crescimento e criação de emprego, Portugal terá de manter um elevado nível de ambição nos seus objetivos de eficiência energética.</p> <p>Além disso, Portugal ainda não notificou à Comissão as suas medidas de aplicação da Diretiva Desempenho Energético dos Edifícios, como deveria ter feito até meados de 2012.</p> <p>Observa-se uma baixa taxa de utilização das possibilidades existentes no âmbito dos Fundos de Coesão, que poderiam nomeadamente ter sido utilizados para incentivar programas de aumento da renovação do património imobiliário (por exemplo, apenas 0,3% de taxa de atribuição a projetos de eficiência energética em 2010, com uma baixa taxa de seleção, 35,6%). A atribuição de maior financiamento à eficiência energética é fortemente recomendada (em especial nos setores industrial, dos transportes e residencial).</p> |   | <p>objetivo, como solicitado, em termos de nível absoluto de consumo de energia primária em 2020, fornecendo informação sobre os dados utilizados para o cálculo. Não o expressou claramente, contudo, em termos de nível absoluto de consumo final de energia em 2020.</p> |
| <b>Energias renováveis</b> | <p>Portugal comunicou um objetivo nacional para 2020, 31% de quota global das FER.</p> <p>No que respeita às centrais mini-hídricas, foi introduzida nova legislação.</p>  | <p>Congratulamo-nos com o acordo alcançado com os produtores de energia eólica e com a recentemente adotada legislação que introduz um mecanismo de apoio baseado no mercado. Paralelamente, o trabalho</p> | 31%   |

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|                                    |   | <p>com vista à integral aplicação das regras do mercado interno de energia da UE e ao desenvolvimento de novas interconexões com a Espanha, assim como a simplificação administrativa e os procedimentos de gestão das redes, ajudarão a desenvolver ainda mais as fontes de energia renováveis. Em matéria de biocombustíveis, Portugal poderia adotar uma abordagem mais eficaz em termos de custos, permitindo que todos os tipos de biocombustíveis possam entrar no seu mercado em condições de concorrência equitativas para benefício da economia em geral e dos consumidores.</p> |     |
| <b>Objetivo de redução dos GEE</b> | <p>Objetivo para as emissões de gases com efeito de estufa (GEE):</p> <p>+1 % (em relação às emissões de 2005, as emissões abrangidas pelo regime RCLE-UE não ficam cobertas por este objetivo nacional).</p>   | <p>Evolução das emissões de gases com efeito de estufa não abrangidas pelo regime RCLE-UE entre 2005 e 2011: -11 %.</p> <p>De acordo com as projeções nacionais apresentadas em 2011 à Comissão e à Agência Europeia do Ambiente, e tomando em consideração as medidas em vigor, o objetivo deverá ser atingido (com uma margem de 17 pontos percentuais).</p>  | +1% |
| <b>I&amp;D</b>                     | <p>Portugal tem vindo a alargar o seu sistema de investigação e inovação ao longo da última década, tendo aumentado o seu investimento em investigação a uma notável taxa real de crescimento anual médio de 7% entre 2000 e 2007. No entanto, a partir de 2009 a tendência é negativa e em 2011 a intensidade da I&amp;D</p> | <p>Portugal desenvolve todos os esforços para garantir a sustentabilidade do seu sistema de investigação e inovação e para, juntamente com outras políticas que promovam o crescimento e a eficiência energética, estimular a absorção de conhecimentos pelas empresas. O programa SIFIDE, que oferece</p>  |     |

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|                        | <p>portuguesa voltou a cair para 1,5 %, com 0,69% no setor público e 0,69% nas empresas.</p> <p>Os principais problemas que se colocam a Portugal no domínio da investigação e da inovação incluem: i) a baixa densidade e âmbito limitado das ligações estabelecidas entre os participantes (empresas, universidades e institutos de investigação e tecnologia) no sistema nacional de investigação e inovação, ii) o desfasamento parcial entre as necessidades da economia e as qualificações universitárias, não obstante os progressos realizados recentemente na formação de doutorados; e iii) a fraca capacidade geral de absorção de competências pelas empresas, que reflete a reduzida proporção de setores com forte intensidade de investigação no valor acrescentado total.</p> | <p>créditos fiscais ao investimento em I&amp;D, é considerado um componente importante deste sistema de apoio.</p>   |     |
| <b>Taxa de emprego</b> | <p>66,5% em 2012.</p> <p>A taxa de emprego atingiu um pico em 2008, com 73,1%, e tem vindo a baixar desde então. Em 2012, atingiu um nível historicamente baixo, de 66,5%.</p> <p>Não obstante a substancial reforma do mercado laboral, que cria condições para promover a criação de emprego e potenciar o crescimento, a contração da atividade económica conduziu a uma diminuição da taxa de emprego em Portugal.</p>  | <p>Durante o último ano foram tomadas diversas medidas para melhorar o funcionamento do mercado de trabalho. As indemnizações por despedimento foram reduzidas para 20 dias por ano de trabalho tanto para contratos por termo indeterminado como para os contratos a termo certo, com um limite máximo de 12 meses, a definição de despedimento individual por razões económicas e por falta de competência do trabalhador foi flexibilizada, a duração e</p> | 75% |

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|  |  | <p>o montante das prestações de desemprego foram reduzidos, o pagamento máximo de horas extraordinárias sofreu uma redução de 50 % e a flexibilidade do tempo de trabalho foi aumentada para 150 horas por ano. Em dezembro de 2012, o Governo português enviou à Assembleia da República uma proposta que visa reduzir ainda mais as indemnizações por despedimento até 12 dias por ano, medida que se vem adicionar à importante reforma do mercado de trabalho realizada no ano passado.</p> <p>Além disso, o Governo português está a levar a cabo uma reforma dos serviços públicos de emprego, com vista a aumentar a sua eficácia, e adotou um conjunto de políticas ativas para o mercado de trabalho destinadas a apoiar a criação de emprego e reforçar a ativação e a oferta de oportunidades de formação mais eficazes.</p> <p>Em agosto de 2012, foi adotado um plano estratégico de combate ao desemprego entre os jovens, o Impulso Jovem. As suas medidas, cofinanciadas pelos Fundos Estruturais, incluem estágios profissionais e apoios à contratação de pessoas com idade compreendida entre os 18 e os 30 anos através de reembolsos das contribuições patronais para a segurança social. Espera-se que venham a abranger 90 000 jovens.</p> <p>Estão igualmente a ser preparadas medidas para melhorar a qualidade da</p> |  |
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|  |   | formação profissional, com um reforço do sistema de formação dual.  |   |
| Redução do número de pessoas em risco de pobreza ou exclusão | <p>Em 2011, um em cada quatro cidadãos portugueses estava em risco de pobreza ou exclusão (24,4%). Contabilizando as transferências sociais, 18% da população estava em risco de pobreza e 8,3% da população enfrentava graves privações materiais.</p> <p>Embora os indicadores de pobreza se mantenham globalmente estáveis, não é de excluir que a recessão económica e o aumento do desemprego possam ter um impacto negativo nos níveis de pobreza e de exclusão social.</p> | <p>Foram adotadas várias medidas com vista a combater a pobreza e promover a inclusão social.</p> <p>Algumas das medidas adotadas contemplam especificamente a posição vulnerável das pessoas com baixo rendimento disponível: Os cortes nas pensões e nos salários da função pública foram executados de forma progressiva, o Complemento Solidário para Idosos foi mantido e o salário mínimo não foi reduzido.</p> <p>Além disso, houve um aumento de 10% no montante das prestações de desemprego para os casais nos casos em que ambos os parceiros estão desempregados e têm filhos a cargo.</p> <p>Além disso, o período contributivo que confere elegibilidade para receber prestações de desemprego passou de 15 para 12 meses e a proteção em caso de desemprego foi alargada aos trabalhadores independentes economicamente dependentes de uma única entidade contratante.</p> <p>As políticas ativas do mercado de trabalho foram reformadas tendo em vista a (re)integração dos grupos vulneráveis no mercado de trabalho. Os incentivos à contratação do Programa Estímulo 2013 constituem um</p> | Redução em 200 000 até 2020 do número de pessoas em risco de pobreza ou de exclusão social. |

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|  |  | <p>importante exemplo de uma medida ativa do mercado de trabalho destinada a reintegrar desempregados de longa duração. Além disso, no início de 2013, o Governo português adotou um incentivo à contratação orientado para os trabalhadores com mais de 45 anos de idade, um grupo vulnerável em termos de reintegração no mercado de trabalho, através do reembolso das contribuições patronais para a segurança social.</p> <p>No âmbito do Plano de Emergência Social — um plano a quatro anos que teve início em outubro de 2011 — foram aprovadas várias medidas de combate à pobreza, nomeadamente:</p> <p>alargamento da rede de cantinas sociais, Passe Social+, que promove o acesso aos transportes públicos das famílias com menores rendimentos, adoção de um Programa Nacional de Microcrédito e criação de um mercado do arrendamento social.</p> <p>O investimento na educação e formação profissional continua a melhorar o nível das qualificações prevenindo a pobreza e a exclusão social.</p> |  |
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## Conclusão

**A determinação continuada na aplicação do Programa de Ajustamento Económico é fundamental para colocar as finanças públicas numa trajetória sustentável, corrigir os desequilíbrios macroeconómicos e criar condições para um crescimento económico sustentável.** Apesar de já ter sido alcançado um significativo ajustamento estrutural, o cumprimento dos objetivos orçamentais exigirá uma aplicação rigorosa do Orçamento para 2013 e das medidas identificadas na revisão das despesas públicas que está em curso. Após o período de programação, será necessário prosseguir os esforços de consolidação por forma a respeitar o novo quadro de governação orçamental da UE. A correção de desequilíbrios externos profundamente enraizados, o processo de desalavancagem das famílias e do setor empresarial que está em curso e a aplicação das reformas estruturais deverá abrir gradualmente caminho para a retoma do crescimento económico e a criação de emprego. A luta contra o elevado nível de desemprego constitui, em particular, uma das principais prioridades da agenda política. A execução do programa continuará a ser avaliada em missões de revisão trimestrais e as autoridades deverão continuar a respeitar as prioridades definidas no ME atualizado durante o período de programação.

**O emprego e a inclusão social são áreas críticas nas quais são necessários progressos no sentido da realização dos objetivos da Estratégia Europa 2020.** Num contexto caracterizado por um forte aumento do desemprego, a taxa de emprego, que por tradição era relativamente elevada em Portugal, tem vindo a diminuir acentuadamente desde o início da crise económica, passando de 73,1% em 2008 para 66,5% em 2012. O aumento do desemprego, que é particularmente elevado entre os jovens, tem implicações sobre a pobreza e as desigualdades, embora esse efeito tenha sido parcialmente compensado pelo sistema de proteção social. São igualmente necessários progressos no sentido da concretização dos objetivos da Estratégia Europa 2020 em todas as outras áreas, apesar dos progressos significativos já conseguidos por Portugal no que respeita aos objetivos para a I&D, o setor energético, o ambiente e a educação.

## ANEXO

### Quadro I. Indicadores macroeconómicos

|   | 1995-<br>1999 | 2000-<br>2004 | 2005-<br>2009 | 2010          | 2011          | 2012         | 2013         | 2014         |
|---|---------------|---------------|---------------|---------------|---------------|--------------|--------------|--------------|
| <b>Principais indicadores</b>   |               |               |               |               |               |              |              |              |
| Taxa de crescimento do PIB  | 3,9           | 1,5           | 0,3           | 1,9           | -1,6          | -3,2         | -2,3         | 0,6          |
| Hiato do produto <sup>1</sup>   | 0,5           | 1,0           | -0,6          | -0,8          | -1,8          | -3,5         | -4,5         | -3,5         |
| IHPC (variação anual em %)  | 2,6           | 3,3           | 1,9           | 1,4           | 3,6           | 2,8          | 0,7          | 1,0          |
| Procura interna (variação anual em %) <sup>2</sup>  | 4,8           | 1,2           | 0,4           | 1,8           | -5,8          | -6,8         | -4,2         | 0,0          |
| Taxa de desemprego (% da mão de obra) <sup>3</sup>  | 6,3           | 5,9           | 9,0           | 12,0          | 12,9          | 15,9         | 18,3         | 18,6         |
| Formação bruta de capital fixo (% do PIB)   | 25,3          | 25,4          | 22,1          | 19,6          | 17,8          | 15,8         | 14,5         | 14,9         |
| Poupança nacional bruta (% do PIB)  | 20,2          | 16,9          | 11,6          | 9,8           | 10,6          | 14,1         | 14,7         | 15,1         |
| <b>Administrações públicas (% do PIB)</b>   |               |               |               |               |               |              |              |              |
| <b>Capacidade (+) ou necessidade (-) líquida de financiamento</b>   |               |               |               |               |               |              |              |              |
| <b>Dívida bruta</b>   | <b>55,2</b>   | <b>56,5</b>   | <b>72,2</b>   | <b>94,0</b>   | <b>108,3</b>  | <b>123,6</b> | <b>123,0</b> | <b>124,3</b> |
| <b>Ativos financeiros líquidos</b>  | <b>-30,1</b>  | <b>-39,2</b>  | <b>-53,8</b>  | <b>-63,8</b>  | <b>-54,1</b>  | <b>n.a</b>   | <b>n.a</b>   | <b>n.a</b>   |
| Receita total   | 37,6          | 39,7          | 40,5          | 41,6          | 45,0          | 41,0         | 43,1         | 42,6         |
| Despesa total   | 41,8          | 43,5          | 46,1          | 51,5          | 49,4          | 47,4         | 48,6         | 46,6         |
| <i>da qual: juros</i>   | 4,0           | 2,8           | 2,8           | 2,8           | 4,1           | 4,4          | 4,4          | 4,3          |
| <b>Sociedades (% do PIB)</b>  |               |               |               |               |               |              |              |              |
| <b>Capacidade (+) ou necessidade (-) líquida de financiamento</b>   |               |               |               |               |               |              |              |              |
| <b>Ativos financeiros líquidos; sociedades não financeiras</b>  | <b>-130,6</b> | <b>-136,6</b> | <b>-149,7</b> | <b>-163,5</b> | <b>-168,6</b> | <b>n.a</b>   | <b>n.a</b>   | <b>n.a</b>   |
| <b>Ativos financeiros líquidos; sociedades financeiras</b>  | <b>-9,6</b>   | <b>-8,0</b>   | <b>-7,1</b>   | <b>-1,3</b>   | <b>-0,9</b>   | <b>n.a</b>   | <b>n.a</b>   | <b>n.a</b>   |
| Formação bruta de capital   | 13,3          | 14,0          | 13,7          | 11,9          | 11,0          | 10,2         | 9,5          | 10,0         |
| Excedente de exploração bruto   | 20,6          | 20,8          | 20,6          | 21,0          | 21,0          | 22,1         | 22,5         | 23,2         |
| <b>Famílias e ISFLSF (% do PIB)</b>   |               |               |               |               |               |              |              |              |
| <b>Capacidade (+) ou necessidade (-) líquida de financiamento</b>   |               |               |               |               |               |              |              |              |
| <b>Ativos financeiros líquidos</b>  | <b>153,3</b>  | <b>131,7</b>  | <b>124,0</b>  | <b>124,9</b>  | <b>122,8</b>  | <b>n.a</b>   | <b>n.a</b>   | <b>n.a</b>   |
| Vencimentos e salários brutos   | 38,8          | 39,2          | 38,8          | 38,8          | 38,7          | 37,2         | 37,0         | 36,0         |
| Rendimentos de propriedade líquidos   | 7,0           | 5,9           | 6,6           | 6,3           | 7,3           | 8,8          | 8,2          | 8,6          |
| Transferências correntes recebidas  | 19,8          | 21,2          | 23,4          | 25,5          | 25,8          | 26,2         | 27,8         | 26,6         |
| Poupança bruta  | 8,2           | 7,4           | 6,2           | 7,4           | 6,7           | 8,7          | 9,1          | 9,1          |
| <b>Resto do mundo (% do PIB)</b>  |               |               |               |               |               |              |              |              |
| <b>Capacidade (+) ou necessidade (-) líquida de financiamento</b>   |               |               |               |               |               |              |              |              |
| <b>Ativos financeiros líquidos</b>  | <b>21,9</b>   | <b>56,2</b>   | <b>91,0</b>   | <b>111,8</b>  | <b>110,2</b>  | <b>n.a</b>   | <b>n.a</b>   | <b>n.a</b>   |
| Exportações líquidas de bens e serviços   | -8,3          | -8,9          | -8,7          | -7,7          | -4,4          | -0,5         | 1,8          | 2,6          |
| Receita primária líquida, resto do mundo  | -0,4          | -1,6          | -3,1          | -3,4          | -3,8          | -2,5         | -2,9         | -3,9         |
| Transações de capital líquidas  | 2,4           | 1,8           | 1,3           | 1,4           | 1,7           | 2,3          | 1,7          | 1,7          |
| Setor dos bens transacionáveis  | 46,4          | 43,3          | 40,9          | 41,3          | 41,9          | 42,7         | n.a          | n.a          |
| Setor dos bens não transacionáveis  | 41,2          | 44,1          | 45,8          | 46,3          | 45,4          | 44,4         | n.a          | n.a          |
| <i>dos quais: imóveis e setor da construção</i>   | 6,6           | 7,0           | 6,3           | 5,5           | 5,0           | 4,3          | n.a          | n.a          |
| Taxa de câmbio efetiva real (index, 2000=100)   | 88,9          | 93,7          | 100,1         | 98,5          | 97,5          | 91,6         | 92,0         | 90,3         |
| Termos de trocas (bens e serviços) (index, 2000=100)  | 100,3         | 101,0         | 100,7         | 102,8         | 100,2         | 100,0        | 101,0        | 101,8        |
| Resultados do mercado de exportação (index, 2000=100)   | 118,9         | 109,4         | 103,8         | 108,0         | 112,4         | 117,6        | 119,1        | 119,6        |
| <b>Notas:</b>   |               |               |               |               |               |              |              |              |
| <sup>1</sup> O hiato do produto constitui o hiato entre o produto interno bruto efetivo e potencial a preços de mercado 2005.   |               |               |               |               |               |              |              |              |
| <sup>2</sup> O indicador relativo à procura interna inclui as existências.  |               |               |               |               |               |              |              |              |
| <sup>3</sup> Todas as pessoas que não estão empregadas, que procuraram emprego ativamente e que estavam disponíveis para trabalhar imediatamente ou no prazo de 2 semanas. A mão de obra é constituída pelo número total de empregados e de desempregados. A taxa de desemprego abrange a faixa etária 15-74. |               |               |               |               |               |              |              |              |
| <i>Fonte:</i>   |               |               |               |               |               |              |              |              |
| <i>Previsões dos serviços da Comissão da primavera de 2013 (COM): Programa de Estabilidade (PE).</i>  |               |               |               |               |               |              |              |              |



## Quadro II. Comparação entre a evolução e as previsões macroeconômicas

|   | 2012  |       | 2013 |      | 2014 |      | 2015 | 2016 | 2017 |
|---|-------|-------|------|------|------|------|------|------|------|
|   | COM   | SP    | COM  | SP   | COM  | SP   | SP   | SP   | SP   |
| PIB real (variação em %)  | -3,2  | -3,2  | -2,3 | -2,3 | 0,6  | 0,6  | 1,5  | 1,8  | 2,2  |
| Consumo privado (variação em %)   | -5,6  | -5,6  | -3,3 | -3,2 | 0,1  | 0,1  | 0,9  | 1,0  | 1,2  |
| Formação bruta de capital fixo (variação em %)  | -14,5 | -14,5 | -7,6 | -7,6 | 2,5  | 2,5  | 5,5  | 6,1  | 6,5  |
| Exportações de bens e serviços (variação em %)  | 3,3   | 3,3   | 0,9  | 0,8  | 4,4  | 4,5  | 4,8  | 5,0  | 5,0  |
| Importações de bens e serviços (variação em %)  | -6,9  | -6,9  | -3,9 | -3,9 | 3,1  | 3,0  | 4,0  | 4,2  | 4,4  |
| <i>Contribuições para o crescimento do PIB real</i>                                     |       |       |      |      |      |      |      |      |      |
| - Procura interna final   | -7,2  | -7,0  | -4,2 | -4,1 | 0,0  | -0,1 | 1,1  | 1,3  | 1,7  |
| - Variação de existências   | 0,2   | 0,2   | 0,0  | 0,0  | 0,0  | 0,0  | 0,0  | 0,0  | 0,0  |
| - Exportações líquidas  | 4,0   | 4,0   | 1,9  | 1,8  | 0,6  | 0,6  | 0,4  | 0,5  | 0,4  |
| Hiato do produto <sup>1</sup>   | -3,5  | -3,5  | -4,5 | -4,5 | -3,5 | -3,4 | -2,1 | -1,0 | 0,2  |
| Emprego (variação em %)   | -4,2  | -4,2  | -3,9 | -3,9 | -0,5 | -0,6 | 0,4  | 0,7  | 2,3  |
| Taxa de desemprego (%)  | 15,9  | 15,7  | 18,3 | 18,2 | 18,6 | 18,5 | 18,1 | 17,5 | 16,7 |
| Produtividade do trabalho (variação em %)   | 1,1   | 1,1   | 1,6  | 1,7  | 1,1  | 1,1  | 1,1  | 1,0  | -0,1 |
| Inflação medida pelo IHPC (%)   | 2,8   | 2,8   | 0,7  | 0,7  | 1,0  | 1,0  | 1,5  | 1,5  | 1,5  |
| Deflator do PIB (variação em %)   | -0,1  | -0,1  | 1,8  | 1,8  | 1,3  | 1,3  | 1,2  | 1,7  | 1,5  |
| Remuneração dos trabalhadores (por pessoa, variação em %)                               | -2,7  | -2,7  | 3,1  | 3,1  | 0,0  | 0,2  | 0,7  | 1,1  | 1,5  |
| Capacidade/necessidade líquida de financiamento em relação ao resto do mundo (% do PIB) | 0,4   | 0,4   | 1,8  | 1,4  | 1,8  | 2,0  | 2,2  | 2,4  | 2,6  |

**Nota:**

<sup>1</sup>Em percentagem do PIB potencial, com o crescimento do PIB potencial recalculado pelos serviços da Comissão com base no cenário previsto no programa e utilizando a metodologia comum

**Fonte:**

Previsões dos serviços da Comissão da primavera de 2013 (COM): Programa de Estabilidade (PE).

### Quadro III. Composição do ajustamento orçamental

| (% do PIB)   | 2012        | 2013        |             | 2014             |             | 2015        | 2016        | 2017        | Variação:<br>2012-2017 |
|--|-------------|-------------|-------------|------------------|-------------|-------------|-------------|-------------|------------------------|
|  | COM         | COM         | SP          | COM <sup>1</sup> | SP          | SP          | SP          | SP          | SP                     |
| <b>Receitas</b>                                      | <b>41,0</b> | <b>43,1</b> | <b>42,6</b> | <b>42,6</b>      | <b>42,2</b> | <b>41,7</b> | <b>41,6</b> | <b>41,7</b> | <b>0,7</b>             |
| <i>dos quais:</i>                                    |             |             |             |                  |             |             |             |             |                        |
| - Impostos sobre a produção e importações            | 13,6        | 13,3        | 13,2        | 13,3             | 13,3        | 13,5        | 13,7        | 13,9        | 0,3                    |
| - Impostos atuais sobre os rendimentos, bens, etc.   | 9,2         | 11,0        | 10,9        | 10,8             | 10,8        | 10,7        | 10,7        | 10,8        | 1,6                    |
| - Contribuições sociais                              | 11,6        | 12,3        | 12,0        | 12,2             | 11,9        | 11,4        | 11,1        | 11,1        | -0,5                   |
| - Outra (residual)                                   | 6,5         | 6,5         | 6,5         | 6,2              | 6,2         | 6,1         | 6,1         | 5,9         | -0,6                   |
| <b>Despesas</b>                                      | <b>47,4</b> | <b>48,6</b> | <b>48,1</b> | <b>46,6</b>      | <b>46,2</b> | <b>44,2</b> | <b>42,9</b> | <b>41,9</b> | <b>-5,5</b>            |
| <i>dos quais:</i>                                    |             |             |             |                  |             |             |             |             |                        |
| - Despesa primária                                   | 43,0        | 44,2        | 43,7        | 42,3             | 41,8        | 39,9        | 38,5        | 37,5        | -5,5                   |
| <i>do qual:</i>                                      |             |             |             |                  |             |             |             |             |                        |
| Remuneração dos trabalhadores                        | 9,9         | 10,9        | 10,6        | 10,2             | 9,9         | 9,1         | 8,7         | 8,4         | -1,5                   |
| Consumo intermédio                                   | 4,6         | 4,4         | 4,4         | 4,4              | 4,4         | 4,1         | 4,0         | 3,9         | -0,6                   |
| Pagamentos sociais                                   | 22,6        | 24,0        | 23,9        | 23,0             | 22,7        | 22,1        | 21,7        | 21,3        | -1,3                   |
| Subsídios  | 0,6         | 0,6         | 0,5         | 0,5              | 0,5         | 0,5         | 0,5         | 0,5         | -0,1                   |
| Formação bruta de capital fixo                       | 1,8         | 1,8         | 1,9         | 1,8              | 1,8         | 1,7         | 1,6         | 1,5         | -0,3                   |
| Outras (residual)                                    | 3,5         | 2,6         | 2,4         | 2,4              | 2,5         | 2,3         | 2,0         | 1,9         | -1,6                   |
| - Despesas com juros                                 | 4,4         | 4,4         | 4,4         | 4,3              | 4,4         | 4,3         | 4,4         | 4,4         | 0,0                    |
| <b>Saldo das administrações públicas (SAP)</b>       | <b>-6,4</b> | <b>-5,5</b> | <b>-5,5</b> | <b>-4,0</b>      | <b>-4,0</b> | <b>-2,5</b> | <b>-1,2</b> | <b>-0,2</b> | <b>6,2</b>             |
| <b>Saldo primário</b>                                | <b>-2,0</b> | <b>-1,1</b> | <b>-1,1</b> | <b>0,3</b>       | <b>0,3</b>  | <b>1,8</b>  | <b>3,1</b>  | <b>4,2</b>  | <b>6,2</b>             |
| Medidas extraordinárias e outras medidas temporárias | -0,6        | 0,3         | 0,1         | -0,3             | -0,3        | 0,0         | 0,0         | 0,0         | 0,6                    |
| <b>SAP excluindo medidas extraordinárias</b>         | <b>-5,8</b> | <b>-5,7</b> | <b>-5,6</b> | <b>-3,6</b>      | <b>-3,7</b> | <b>-2,5</b> | <b>-1,2</b> | <b>-0,2</b> | <b>5,6</b>             |
| Hiato do produto <sup>2</sup>                        | -3,5        | -4,5        | -4,5        | -3,5             | -3,4        | -2,1        | -1,0        | 0,2         | 3,7                    |
| Saldo corrigido das variações cíclicas <sup>2</sup>  | -4,8        | -3,4        | -3,4        | -2,3             | -2,4        | -1,5        | -0,7        | -0,3        | 4,5                    |
| <b>Saldo estrutural (SE)<sup>3</sup></b>             | <b>-4,2</b> | <b>-3,6</b> | <b>-3,5</b> | <b>-2,0</b>      | <b>-2,1</b> | <b>-1,5</b> | <b>-0,7</b> | <b>-0,3</b> | <b>3,9</b>             |
| <i>Variação do saldo estrutural</i>                  | 2,4         | 0,5         | 0,6         | 1,7              | 1,4         | 0,6         | 0,8         | 0,5         | -                      |
| <i>Variação média do SE num período de 2 anos</i>    | 2,3         | 1,5         | 1,5         | 1,1              | 1,0         | 1,0         | 0,7         | 0,6         | -                      |
| Saldo estrutural primário <sup>3</sup>               | 0,2         | 0,7         | 0,9         | 2,3              | 2,3         | 2,8         | 3,7         | 4,1         | 3,9                    |
| <i>Variação no saldo estrutural primário</i>         |             | 0,5         | 0,7         | 1,5              | 1,4         | 0,5         | 0,9         | 0,5         | -                      |
| <b>Critério de referência em matéria de despesa</b>  |             |             |             |                  |             |             |             |             |                        |
| Taxa de referência aplicável <sup>4</sup>            | -1,09       | -1,09       | -1,09       | -1,22            | -1,22       | -1,22       | -1,22       | n.a.        | -                      |
| Desvio <sup>5</sup> (% do PIB)                       | -2,8        | -2,5        | -0,1        | -1,2             | -1,6        | -1,0        | -0,2        | n.a.        | -                      |
| Desvio médio num período de 2 anos em (% do PIB)     | -5,0        | -2,6        | -0,7        | -1,8             | -0,8        | -1,3        | -0,6        | n.a.        | -                      |

**Notas:**

<sup>1</sup> Num cenário de políticas inalteradas.

<sup>2</sup> Hiato do produto (em % do PIB potencial) e saldo corrigido das variações cíclicas de acordo com o programa, recalculados pelos serviços da Comissão com base no cenário previsto no programa e utilizando a metodologia comum.

<sup>3</sup> Saldo estrutural (primário) = Saldo (primário) corrigido das variações cíclicas, líquido de medidas extraordinárias e outras medidas temporárias.

<sup>4</sup> Taxa de referência a médio prazo do crescimento do PIB potencial. A taxa de referência (padrão) aplica-se a partir do ano t+1, se o país tiver atingido o seu OMP no ano t. É aplicável uma taxa reduzida se o país estiver a proceder a um ajustamento na via do seu OMP, incluindo o ano t. As taxas de referência aplicáveis a partir de 2014 foram atualizadas em 2013.

<sup>5</sup> Desvio da taxa de crescimento da despesa pública líquido de medidas discricionárias do lado da despesa e de aumentos da receita obrigatórios por lei na sequência da aplicação da taxa de referência pertinente. O agregado da despesa utilizada para o critério de referência em matéria de despesa é obtido de acordo com a metodologia comum. Um sinal positivo significa que o crescimento da despesa ultrapassou a taxa de referência aplicável.

**Fonte:**

Programa de Estabilidade (PE); Previsões dos serviços da Comissão da primavera de 2013 (COM); Cálculos dos serviços da Comissão.

## Quadro IV. Evolução da dívida

| (% do PIB)   | Média<br>2007-2011 | 2012         | 2013                            |                       | 2014                            |                       | 2015         | 2016         | 2017         |
|--|--------------------|--------------|---------------------------------|-----------------------|---------------------------------|-----------------------|--------------|--------------|--------------|
|  |                    |              | COM                             | SP                    | COM                             | SP                    | SP           | SP           | SP           |
| <b>Rácio da dívida pública<br/>bruta<sup>1</sup></b>                       | <b>85,2</b>        | <b>123,6</b> | <b>123,0</b>                    | <b>122,3</b>          | <b>124,3</b>                    | <b>123,7</b>          | <b>122,5</b> | <b>119,3</b> | <b>115,0</b> |
| Evolução do rácio  | 7,8                | 15,3         | -0,7                            | -1,3                  | 1,4                             | 1,4                   | -1,2         | -3,2         | -4,3         |
| <i>Contribuições<sup>2</sup>:</i>  |                    |              |                                 |                       |                                 |                       |              |              |              |
| <b>1. Saldo primário</b>   | <b>3,1</b>         | <b>2,0</b>   | <b>1,1</b>                      | <b>1,1</b>            | <b>-0,3</b>                     | <b>-0,3</b>           | <b>-1,8</b>  | <b>-3,1</b>  | <b>-4,2</b>  |
| <b>2. Efeito de «bola de<br/>neve»</b>                                     | <b>2,3</b>         | <b>8,1</b>   | <b>5,0</b>                      | <b>5,1</b>            | <b>2,1</b>                      | <b>2,1</b>            | <b>1,1</b>   | <b>0,2</b>   | <b>0,2</b>   |
| <i>do qual:</i>  |                    |              |                                 |                       |                                 |                       |              |              |              |
| Despesas com juros   | 3,1                | 4,4          | 4,4                             | 4,4                   | 4,3                             | 4,3                   | 4,3          | 4,3          | 4,4          |
| Efeito de crescimento  | 0,1                | 3,5          | 2,9                             | 2,9                   | -0,7                            | -0,7                  | -1,8         | -2,1         | -2,5         |
| Efeito de inflação   | -0,9               | 0,2          | -2,3                            | -2,2                  | -1,5                            | -1,4                  | -1,4         | -2,0         | -1,7         |
| <b>3. Ajustamento dívida-<br/>fluxo</b>                                    | <b>2,4</b>         | <b>5,2</b>   | <b>-6,9</b>                     | <b>-7,6</b>           | <b>-0,4</b>                     | <b>-0,4</b>           | <b>-0,4</b>  | <b>-0,3</b>  | <b>-0,2</b>  |
| <i>do qual:</i>  |                    |              |                                 |                       |                                 |                       |              |              |              |
| Diferenças entre<br>contabilidade de caixa e<br>contabilidade de exercício |                    |              |                                 |                       |                                 |                       |              |              |              |
| Contabilidade ativos<br>financeiros  |                    |              |                                 | -6,9                  |                                 | -0,4                  | -0,4         | -0,3         | -0,3         |
| <i>Privatizações</i>   |                    |              |                                 |                       |                                 |                       |              |              |              |
| Efeitos de valorização &<br>residual                                       |                    |              |                                 |                       |                                 |                       |              |              |              |
|  |                    | <b>2012</b>  | <b>2013</b>                     |                       | <b>2014</b>                     |                       | <b>2015</b>  | <b>2016</b>  | <b>2017</b>  |
|  |                    |              | <b>COM<br/>/ SP<sup>3</sup></b> | <b>SP<sup>4</sup></b> | <b>COM<br/>/ SP<sup>3</sup></b> | <b>SP<sup>4</sup></b> | <b>SP</b>    | <b>SP</b>    | <b>SP</b>    |
| <b>Desvio relativamente à dívida de<br/>referência<sup>5,6</sup></b>       |                    | n.r.         | n.r.                            | n.r.                  | n.r.                            | n.r.                  | n.r.         | n.r.         | n.r.         |
| <b>Ajustamento estrutural<sup>7</sup></b>                                  |                    | n.r.         | n.r.                            | n.r.                  | n.r.                            | n.r.                  | 0,6          | 0,8          | 0,4          |
| <i>comparativamente a:</i>   |                    |              |                                 |                       |                                 |                       |              |              |              |
| Ajustamento exigido <sup>8</sup>   |                    | n.r.         | n.r.                            | n.r.                  | n.r.                            | n.r.                  | 0,5          | 0,4          | -0,3         |

### Notas:

<sup>1</sup>Final do período.

<sup>2</sup> O efeito bola de neve capta o impacto das despesas com juros na dívida acumulada, bem como o impacto do crescimento do PIB real e da inflação no rácio da dívida (através do denominador). O ajustamento dívida-fluxo inclui diferenças entre contabilidade de caixa e contabilidade de exercício, acumulação de ativos financeiros e valorização, bem como outros efeitos residuais.

<sup>3</sup> Avaliação do percurso de consolidação definido no PE, assumindo que o crescimento corresponde às previsões da COM.

<sup>4</sup> Avaliação do percurso de consolidação definido no PE, assumindo que o crescimento corresponde às previsões do PE.

<sup>5</sup> Não aplicável aos Estados-Membros com um PDE em curso em novembro de 2011 e nos 3 anos subsequentes à correção do défice excessivo.

<sup>6</sup> Mostra a diferença entre o rácio dívida/PIB e o marco de referência da dívida. Se positivo, o rácio dívida bruta/PIB projetado não cumpre o valor de referência para a redução da dívida.

<sup>7</sup> Só se aplica durante o período de transição de três anos após a correção do défice excessivo para os PDE em curso em novembro de 2011.

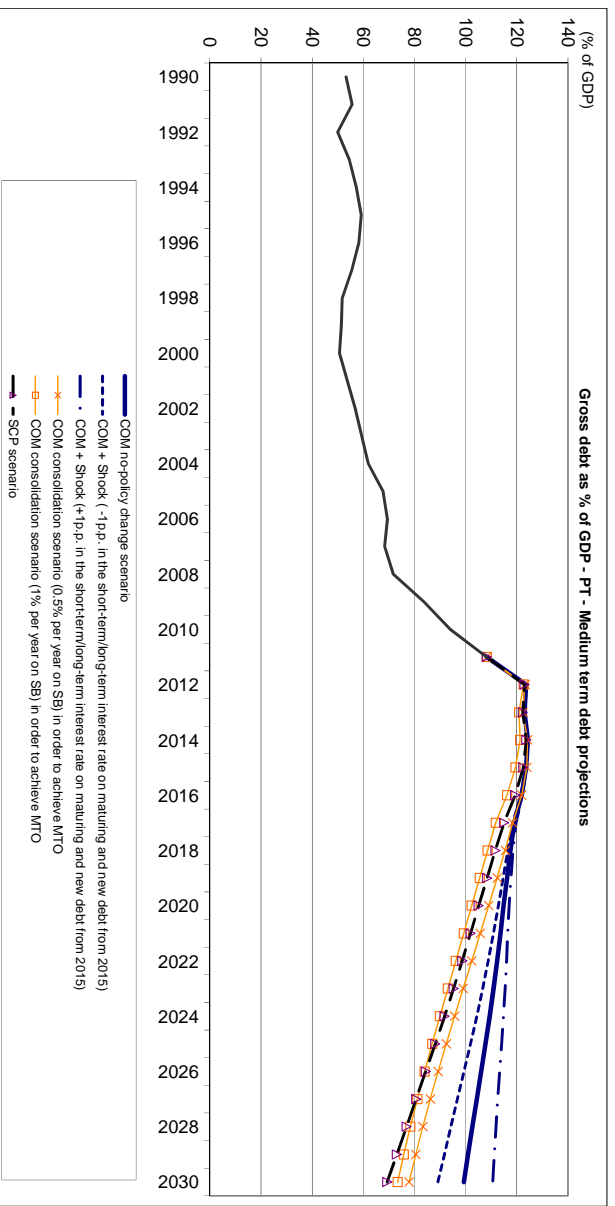
<sup>8</sup> Define o ajustamento estrutural anual restante ao longo do período de transição que assegura que - se for cumprido - o Estado-Membro terá observado o valor de referência para a redução da dívida no final do período de transição, assumindo que as projeções orçamentais da Comissão (PE) são atingidas.

### Fonte:

Programa de Estabilidade (PE); Previsões dos serviços da Comissão da primavera de 2013 (COM); Cálculos dos serviços da Comissão.

## Quadro V. Indicadores de sustentabilidade

|   | PT                               |                           | UE27                             |                           |
|---|----------------------------------|---------------------------|----------------------------------|---------------------------|
|   | Cenário de políticas inalteradas | Cenário do Programa (PEC) | Cenário de políticas inalteradas | Cenário do Programa (PEC) |
| S2  | 0,0                              | -2,0                      | 3,0                              | 1,3                       |
| <i>dos quais:</i>   |                                  |                           |                                  |                           |
| Situação orçamental inicial (SOI)   | -0,1                             | -2,0                      | 0,8                              | -0,9                      |
| Custos a longo prazo do envelhecimento (CLPE)   | 0,1                              | 0,0                       | 2,2                              | 2,2                       |
| <i>dos quais:</i>   |                                  |                           |                                  |                           |
| Pensões   | -0,3                             | -0,5                      | 1,0                              | 1,1                       |
| Cuidados de saúde   | 1,3                              | 1,3                       | 0,9                              | 0,8                       |
| Cuidados continuados  | 0,2                              | 0,2                       | 0,6                              | 0,6                       |
| Outros  | -1,1                             | -1,0                      | -0,4                             | -0,3                      |
| S1 (ajustamento exigido)*   | 2,8                              | 0,6                       | 2,2                              | 0,5                       |
| <i>do qual:</i>   |                                  |                           |                                  |                           |
| Situação orçamental inicial (SOI)   | -0,9                             | -3,3                      | 0,0                              | -1,8                      |
| Requisito de dívida (RD)  | 3,9                              | 4,2                       | 1,9                              | 1,9                       |
| Custos a longo prazo do envelhecimento (CLPE)   | -0,2                             | -0,3                      | 0,3                              | 0,4                       |
| S0 (risco de stress orçamental)**   | 0,57                             |                           | :                                |                           |
| Dívida, em % do PIB (2012)  | 123,6                            |                           | 87,0                             |                           |
| Despesas ligadas ao envelhecimento demográfico, em % do PIB (2012)  | 25,7                             |                           | 25,8                             |                           |
| <p><u>Nota:</u><br/> O cenário de políticas inalteradas retrata o hiato de sustentabilidade no pressuposto de que a situação orçamental evolui até 2014 de acordo com as previsões da Comissão da primavera de 2013. O cenário do programa (PEC) retrata o hiato de sustentabilidade no pressuposto de que os planos orçamentais do programa são plenamente executados.<br/> * Ajustamento do saldo primário exigido até 2020 para chegar a uma dívida pública de 60% do PIB até 2030.<br/> ** O limar crítico para o indicador S0 é de 0,44.</p> |                                  |                           |                                  |                           |
| <p><u>Fonte:</u><br/> <i>Serviços da Comissão; Programa de Estabilidade 2013.</i></p>   |                                  |                           |                                  |                           |



## Quadro VI. Indicadores da Fiscalidade

|  | 2002 | 2006 | 2008 | 2009 | 2010 | 2011 |
|--|------|------|------|------|------|------|
| <b>Receitas fiscais totais</b> (incl. contribuições sociais obrigatórias efetivas, % do PIB) | 31,4 | 32,1 | 32,8 | 31,0 | 31,5 | 33,2 |
| <b>Distribuição por função económica</b> (% do PIB) <sup>1</sup>                             |      |      |      |      |      |      |
| Consumo  | 12,0 | 13,2 | 12,3 | 10,9 | 11,8 | 12,2 |
| do qual:   |      |      |      |      |      |      |
| - IVA  | 7,6  | 8,6  | 8,4  | 7,1  | 7,8  | 8,3  |
| - impostos especiais de consumo sobre tabaco e bebidas alcoólicas                            | 1,0  | 1,1  | 0,9  | 0,8  | 0,9  | 1,0  |
| - energia  | 2,1  | 2,0  | 1,9  | 1,9  | 1,9  | 1,8  |
| - outros (residual)  | 1,3  | 1,5  | 1,2  | 1,1  | 1,1  | 1,1  |
| Mão-de-obra empregada  | 11,3 | 11,4 | 11,7 | 12,2 | 12,1 | 12,7 |
| Mão-de-obra desocupada   | 0,6  | 0,8  | 0,9  | 1,0  | 1,0  | 1,1  |
| Rendimento comercial económico   | 5,1  | 4,4  | 5,5  | 4,5  | 4,3  | 4,8  |
| Existências de capital/Riqueza   | 2,5  | 2,3  | 2,4  | 2,4  | 2,3  | 2,3  |
| <i>p.m.</i> Impostos ambientais <sup>2</sup>   | 3,0  | 2,9  | 2,6  | 2,5  | 2,6  | 2,4  |
| <b>Eficácia do IVA</b> <sup>3</sup>  |      |      |      |      |      |      |
| Receita efetiva do IVA em % das receitas teóricas a taxas normais                            | 53,3 | 52,9 | 53,4 | 44,3 | 46,8 | 46,3 |

**Nota:**

<sup>1</sup> As receitas fiscais são distribuídas por função económica, i.e. se os impostos incidem no consumo, trabalho ou capital. Para mais informações, consultar «*Taxation trends in the European Union*», Comissão Europeia (2013).

<sup>2</sup> Esta categoria engloba os impostos sobre a energia, transportes, poluição e recursos, incluídos nos impostos sobre o consumo e o capital.

<sup>3</sup> A eficiência do IVA é medida através do rácio das suas receitas, definido como o rácio entre a receita efetiva do IVA cobrada e as receitas que, teoricamente, seriam obtidas se o IVA fosse aplicado à taxa normal a todo o consumo final. Um rácio baixo pode indicar uma redução da base tributária devido a grandes isenções ou à aplicação de taxas reduzidas a uma vasta gama de bens e serviços ("lacuna política") ou uma falha na cobrança de todos os imposto devido, por exemplo, a fraude («lacuna na cobrança»). Para uma explicação mais detalhada, consultar «*Tax reforms in EU Member States*» Comissão Europeia (2012), *European Economy* 6/2012 e *Taxation Papers* 34/2012.

*Fonte: Comissão*

## Quadro VII. Indicadores dos mercados financeiros

|  | 2008  | 2009  | 2010  | 2011  | 2012  |
|--|-------|-------|-------|-------|-------|
| Ativos totais da banca (% do PIB)  | 280,3 | 308,7 | 323,3 | 335,2 | 336,8 |
| Parte dos ativos dos 5 maiores bancos (% dos ativos totais)  | 69,1  | 70,1  | 70,9  | 70,8  | ...   |
| Parte estrangeira no sistema bancário (% dos ativos totais)  | 22,7  | 23,1  | ...   | ...   | ...   |
| Indicadores de solidez financeira:   |       |       |       |       |       |
| - empréstimos improdutivos (% dos empréstimos totais) <sup>1), 2), 3)</sup>  | 3,6   | 4,8   | 5,2   | 7,5   | 9,8   |
| - rácio de adequação de capital (%) <sup>1), 2)</sup>  | 9,4   | 10,5  | 10,3  | 9,8   | 12,3  |
| - rentabilidade dos capitais próprios (%) <sup>1), 2)</sup>  | 5,7   | 7,3   | 7,5   | -5,5  | 0,3   |
| Empréstimos bancários ao setor privado (variação anual em %)   | 8,2   | 3,1   | 1,7   | -3,3  | -6,0  |
| Empréstimos à compra de habitação (variação anual em %)  | 4,3   | 4,2   | 3,5   | -0,5  | -2,8  |
| Rácio empréstimos/depósitos  | 137,4 | 133,3 | 128,6 | 116,1 | 119,6 |
| Liquidez do BC em % dos passivos   | 2,3   | 3,5   | 8,1   | 8,8   | 10,6  |
| Exposição da banca aos países beneficiários de assistência financeira oficial (% do PIB) <sup>4)</sup>   | 21,4  | 24,9  | 25,9  | 21,8  | 17,6  |
| Dívida privada (% do PIB)  | 177,9 | 187,7 | 186,2 | 182,1 | 177,9 |
| Dívida bruta externa (% do PIB) <sup>5)</sup>  |       |       |       |       |       |
| - Pública  | 51,4  | 58,8  | 55,6  | 57,5  | 74,2  |
| - Privada  | 38,2  | 42,8  | 40,2  | 45,5  | 48,9  |
| <i>Spread</i> das taxas de juro a longo prazo/Bund (pontos de base)*   | 0,5   | 1,0   | 2,7   | 7,6   | 9,1   |
| <i>Spread</i> dos <i>swap</i> de risco de incumprimento para os títulos da dívida soberana (5 anos)*   | 65,4  | 80,1  | 291,9 | 852,1 | 884,4 |
| <b>Notas:</b>  |       |       |       |       |       |
| <sup>1)</sup> Dados mais recentes (setembro de 2012).  |       |       |       |       |       |
| <sup>2)</sup> A partir de 2007, a cobertura das séries de dados é mais completa.   |       |       |       |       |       |
| <sup>3)</sup> Em setembro de 2011 foi introduzido um novo método de cálculo dos empréstimos improdutivos que segue a metodologia do Guia FSI. Os dados históricos foram revistos em consequência, até 2006.  |       |       |       |       |       |
| <sup>4)</sup> Os países abrangidos são CY, EL, ES, LV, HU, IE e RO.  |       |       |       |       |       |
| <sup>5)</sup> Dados mais recentes 3.º TRIM 2012.   |       |       |       |       |       |
| * Medido em pontos de base.  |       |       |       |       |       |
| <b>Fonte:</b>  |       |       |       |       |       |
| <i>Banco de Compensações Internacionais e Eurostat (exposição a países macro-financeiramente mais vulneráveis), FMI (indicadores de solidez financeira), Comissão (taxas de juro a longo prazo), Banco Mundial (dívida bruta externa) e BCE (todos os outros indicadores).</i> |       |       |       |       |       |

## Quadro VIII. Indicadores do mercado de trabalho e indicadores sociais

| Indicadores do mercado de trabalho   | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|--|------|------|------|------|------|------|
| Taxa de emprego<br>(% da população entre 20-64 anos)   | 72,6 | 73,1 | 71,2 | 70,5 | 69,1 | 66,5 |
| Crescimento do emprego<br>(% variação relativamente ao ano anterior)   | 0,0  | 0,5  | -2,6 | -1,5 | -1,5 | -4,2 |
| Taxa de emprego entre as mulheres<br>(% da população feminina entre 20-64 anos)  | 66,3 | 67,0 | 66,1 | 65,6 | 64,8 | 63,1 |
| Taxa de emprego entre os homens<br>(% da população masculina entre 20-64 anos)   | 79,1 | 79,4 | 76,5 | 75,4 | 73,4 | 69,9 |
| Taxa de emprego entre os trabalhadores mais idosos<br>(% da população entre 55-64 anos)  | 50,9 | 50,8 | 49,7 | 49,2 | 47,9 | 46,5 |
| Emprego parcial (% do emprego total,<br>15 anos ou mais)   | 12,1 | 11,9 | 11,6 | 11,6 | 13,3 | 14,3 |
| Emprego parcial entre as mulheres (% do emprego entre as mulheres,<br>15 anos ou mais)   | 16,9 | 17,2 | 16,4 | 15,5 | 16,3 | 16,8 |
| Emprego parcial entre os homens (% do emprego entre os homens, 15<br>anos ou mais)   | 8,0  | 7,4  | 7,5  | 8,2  | 10,7 | 12,1 |
| Emprego a prazo fixo (% de empregados com contrato a prazo fixo, 15<br>anos ou mais)   | 22,4 | 22,8 | 22,0 | 23,0 | 22,2 | 20,7 |
| Passagens de emprego temporário a emprego permanente   | 2,7  | 4,5  | 4,4  | 3,2  | 3,8  | :    |
| Taxa de desemprego <sup>1</sup> (% da mão de obra,<br>faixa etária 15-74)  | 8,9  | 8,5  | 10,6 | 12,0 | 12,9 | 15,9 |
| Taxa de desemprego <sup>2</sup> (% da mão de obra)   | 4,2  | 4,0  | 4,7  | 6,3  | 6,2  | 7,8  |
| Taxa de desemprego entre os jovens<br>(% da mão de obra jovem entre 15-24 anos)  | 20,4 | 20,2 | 24,8 | 27,7 | 30,1 | 37,7 |
| Taxa de população jovem SEEF (% da população entre 15-24 anos)   | 11,2 | 10,3 | 11,2 | 11,5 | 12,7 | 14,1 |
| Abandono precoce do ensino e da formação (% da pop. entre 18-24<br>anos com, pelo menos, nível básico do secundário e que não tenha<br>prosseguido os estudos ou formação) | 36,9 | 35,4 | 31,2 | 28,7 | 23,2 | 20,8 |
| Conclusão do ensino superior (% da população entre 30-34 anos que<br>tenha concluído o ensino superior)  | 19,8 | 21,6 | 21,1 | 23,5 | 26,1 | 27,2 |
| Assistência na infância (1 a 29 horas; % da população com menos de 3<br>anos)  | 2,0  | 2,0  | 2,0  | 5,0  | 1,0  | :    |
| Assistência na infância (30 horas ou mais; % da população com menos<br>de 3 anos)  | 25,0 | 31,0 | 34,0 | 32,0 | 34,0 | :    |
| Produtividade laboral por pessoa empregada (variação anual em %)   | 2,4  | -0,5 | -0,3 | 3,5  | 0,0  | 1,1  |
| Horas trabalhadas por pessoa empregada (variação anual em %)   | 0,7  | -0,7 | -0,2 | -0,1 | -0,8 | 0,7  |
| Produtividade laboral por hora trabalhada (variação anual em %; preços<br>constantes)  | 1,7  | 0,2  | -0,2 | 3,7  | 0,8  | 0,4  |
| Remuneração por trabalhador (variação anual em %; preços constantes)   | 0,7  | 1,4  | 1,9  | 1,4  | -1,2 | -2,6 |
| Crescimento nominal do custo unitário do trabalho (variação anual em<br>%)   | 1,1  | 3,5  | 3,1  | -1,4 | -0,7 | -3,8 |
| Crescimento real do custo unitário do trabalho (variação anual em %)   | -1,6 | 1,9  | 2,2  | -2,1 | -1,2 | -3,7 |

**Notas:**

<sup>1</sup> Todas as pessoas que não estão empregadas, que procuraram emprego ativamente e que estavam disponíveis para trabalhar imediatamente ou no prazo de 2 semanas. A mão de obra é constituída pelo número total de empregados e de desempregados.

<sup>2</sup> Todas as pessoas desempregadas há pelo menos 12 meses.

**Fontes:**

Comissão (inquérito às forças de trabalho da UE e contas nacionais europeias)



| <b>Despesa com prestações de proteção social (% do PIB)</b>   | <b>2006</b>  | <b>2007</b>  | <b>2008</b>  | <b>2009</b>  | <b>2010</b>  |
|---|--------------|--------------|--------------|--------------|--------------|
| Doença/Cuidados de saúde  | 6,71         | 6,40         | 6,48         | 7,28         | 6,98         |
| Invalidez   | 2,28         | 2,26         | 2,14         | 2,16         | 2,10         |
| Velhice e sobrevivência   | 11,31        | 11,30        | 11,94        | 12,99        | 13,18        |
| Família/Descendentes ou equiparados   | 1,18         | 1,19         | 1,28         | 1,49         | 1,46         |
| Desemprego  | 1,27         | 1,15         | 1,05         | 1,37         | 1,44         |
| Habituação e exclusão social não especificada noutra rubrica  | 0,00         | 0,00         | 0,00         | 0,00         | 0,00         |
| <b>Total</b>  | <b>23,01</b> | <b>22,57</b> | <b>23,17</b> | <b>25,62</b> | <b>25,50</b> |
| do qual: prestações baseadas na avaliação dos rendimentos   | 2,12         | 2,09         | 2,29         | 2,74         | 2,68         |
| <b>Indicadores de inclusão social</b>   | <b>2007</b>  | <b>2008</b>  | <b>2009</b>  | <b>2010</b>  | <b>2011</b>  |
| Risco de pobreza ou de exclusão social <sup>1</sup><br>(% da população total)   | 25,0         | 26,0         | 24,9         | 25,3         | 24,4         |
| Risco de pobreza ou de exclusão entre as crianças<br>(% da população entre 0-17 anos)   | 26,9         | 29,5         | 28,7         | 28,7         | 28,6         |
| Risco de pobreza ou de exclusão entre os idosos<br>(% da população com mais de 65 anos)   | 30,0         | 27,7         | 26,0         | 26,1         | 24,5         |
| Taxa de risco de pobreza <sup>2</sup> ((% da população total)   | 18,1         | 18,5         | 17,9         | 17,9         | 18,0         |
| Privação material grave <sup>3</sup> (% da população total)   | 9,6          | 9,7          | 9,1          | 9,0          | 8,3          |
| Percentagem de pessoas que vivem em famílias de baixa<br>intensidade de trabalho <sup>4</sup> (% da população entre 0-59 anos)  | 7,2          | 6,3          | 6,9          | 8,6          | 8,2          |
| Taxa de risco de pobreza na população ativa (% de pessoas<br>empregadas)  | 9,7          | 11,8         | 10,3         | 9,7          | 10,3         |
| Impacto das transferências sociais (excluindo as pensões) na<br>redução da pobreza  | 25,2         | 25,7         | 26,3         | 32,2         | 29,1         |
| Límiars de pobreza, expressos na moeda nacional a preços<br>constantes <sup>5</sup>   | 4544         | 4770         | 4726         | 4997         | 4777         |
| Rendimento disponível bruto (famílias)  | 11838<br>4   | 12349<br>9   | 12295<br>9   | 12661<br>2   | 12502<br>4   |
| Diferencial mediano relativo do risco de pobreza (60% do<br>rendimento mediano ponderado, idade: total)   | 24,3         | 23,2         | 23,6         | 22,7         | 23,2         |
| <b>Notas:</b>   |              |              |              |              |              |
| <sup>1</sup> Pessoas em risco de pobreza ou de exclusão social (PRPES): pessoas em risco de pobreza ou de exclusão social (PRPES) e/ou que sofrem graves privações materiais (GPM) e/ou vivem em lares com uma intensidade de trabalho muito baixa ou nula (ITBN).  |              |              |              |              |              |
| <sup>2</sup> Taxa de risco de pobreza (TRP): proporção de pessoas com um rendimento disponível ponderado inferior a de 60% do rendimento médio nacional ponderado.  |              |              |              |              |              |
| <sup>3</sup> Percentagem de pessoas que sofrem pelo menos 4 das seguintes 9 privações: pessoas que não podem i) pagar a renda ou as contas dos serviços de utilidade pública, ii) manter as suas casas devidamente aquecidas, iii) fazer face a despesas imprevistas iv) comer carne, peixe ou proteínas equivalentes de dois em dois dias, v) pagar uma semana de férias fora de casa uma vez por ano, vi) ter um carro, vii) ter uma máquina de lavar, viii) ter uma televisão a cores, ou ix) um telefone. |              |              |              |              |              |
| <sup>4</sup> Pessoas em agregados familiares com uma intensidade de trabalho muito baixa: proporção de pessoas entre 0-59 anos que vivem em agregados familiares em que os adultos (excluindo as crianças dependentes) trabalharam menos de 20% do seu potencial tempo de trabalho total nos 12 meses anteriores.   |              |              |              |              |              |
| <sup>5</sup> Para a EE, CY, MT, SI, SK, limiars em valores nominais e em euros; IHPC - índice 100 em 2006 (o inquérito de 2007 era referente aos rendimentos em 2006)   |              |              |              |              |              |
| <b>Fontes:</b>  |              |              |              |              |              |
| <i>Despesa com prestações de proteção social, SESPROS; inclusão social, UE-SILC.</i>  |              |              |              |              |              |

## Quadro IX. Indicadores de desempenho do mercado de produtos e indicadores de política

| <b>Indicadores de desempenho</b>  | <b>2003-2007</b> | <b>2008</b> | <b>2009</b> | <b>2010</b> | <b>2011</b> | <b>2012</b> |
|---|------------------|-------------|-------------|-------------|-------------|-------------|
| Produtividade laboral <sup>1</sup> total da economia (crescimento anual em % )  | 1,5              | -0,5        | -0,3        | 3,5         | 0,0         | 1,1         |
| Produtividade laboral <sup>1</sup> da indústria (crescimento anual em % )   | 2,9              | 0,7         | -2,5        | 11,1        | 3,2         | 3,3         |
| Produtividade laboral <sup>1</sup> nos setores da eletricidade, gás, vapor e ar condicionado (crescimento anual em % )  | 8,2              | 14,7        | -8,3        | 13,0        | n.a.        | n.a.        |
| Produtividade laboral <sup>1</sup> no setor da construção (crescimento anual em % )   | 0,7              | -2,4        | -2,9        | -0,8        | -4,1        | 0,5         |
| Número total de pedidos de registo de patente <sup>2</sup> por milhão de trabalhadores  | 17,1             | 20,0        | 19,4        | 19,6        | n.a.        | n.a.        |
| <b>Indicadores de política</b>  | <b>2003-2007</b> | <b>2008</b> | <b>2009</b> | <b>2010</b> | <b>2011</b> | <b>2012</b> |
| Execução de contratos <sup>3</sup> (dias)   | 577              | 577         | 547         | 547         | 547         | 547         |
| Tempo para iniciar uma atividade económica <sup>3</sup> (dias)  | 45               | 6           | 6           | 6           | 5           | 5           |
| Despesa com I&D (% do PIB)  | 0,9              | 1,5         | 1,6         | 1,6         | 1,5         | n.a.        |
| Conclusão do ensino superior (% da população entre 30-34 anos)  | 17,5             | 21,6        | 21,1        | 23,5        | 26,1        | 26,6        |
| Total das despesas públicas em educação (% do PIB)  | 5,17             | 4,89        | 5,79        | 5,62        | n.a.        | n.a.        |
|   | <b>2007</b>      | <b>2008</b> | <b>2009</b> | <b>2010</b> | <b>2011</b> | <b>2012</b> |
| Regulação do mercado de produtos <sup>4</sup> , Geral (Index; 0=não regulado; 6=regulado na maioria)  | n.a.             | 1,4         | n.a.        | n.a.        | n.a.        | n.a.        |
| Regulação do mercado de produtos <sup>4</sup> , Retalho (Index; 0=não regulado; 6=regulado na maioria)  | n.a.             | 3,0         | n.a.        | n.a.        | n.a.        | n.a.        |
| Regulação do mercado de produtos <sup>4</sup> , Indústrias de rede <sup>5</sup> (Index; 0=não regulado; 6=regulado na maioria)  | 2,4              | n.a.        | n.a.        | n.a.        | n.a.        | n.a.        |
| <p><b>Notas:</b></p> <p><sup>1</sup> A produtividade laboral é definida como o valor acrescentado bruto (a preços constantes) dividido pelo número de empregados.</p> <p><sup>2</sup> Número total de pedidos de registo de patente apresentados ao Serviço Europeu de Patentes (EPO) por milhão de trabalhadores.</p> <p><sup>3</sup> As metodologias, incluindo as hipóteses, para este indicador são apresentadas em detalhe no site <a href="http://www.doingbusiness.org/methodology">http://www.doingbusiness.org/methodology</a>.</p> <p><sup>4</sup> As metodologias para os indicadores de regulação do mercado de produtos são apresentadas em detalhe no site <a href="http://www.oecd.org/document/1/0,3746,en_2649_34323_2367297_1_1_1_1_00.html">http://www.oecd.org/document/1/0,3746,en_2649_34323_2367297_1_1_1_1_00.html</a>. Os indicadores mais recentes disponíveis sobre a regulação do mercado de produtos dizem respeito a 2003 e 2008, exceto para as indústrias de rede.</p> <p><sup>5</sup> Agregado ETCR.</p> <p>*valor para 2007.</p> <p><b>Fonte:</b></p> <p>Comissão, Banco Mundial - <i>Doing Business</i> (execução de contratos e tempo para começar uma atividade económica) e OCDE (indicadores de regulação do mercado de produtos).</p> |                  |             |             |             |             |             |

## Quadro X. Crescimento «verde»

|   |          | 2002-2006 | 2007  | 2008  | 2009  | 2010  | 2011  |
|---|----------|-----------|-------|-------|-------|-------|-------|
| <b>Desempenho em matéria de crescimento «verde»</b>   |          |           |       |       |       |       |       |
| <i>Dados macroeconómicos</i>  |          |           |       |       |       |       |       |
| Intensidade energética  | kgep / € | 0,20      | 0,19  | 0,18  | 0,19  | 0,18  | 0,18  |
| Intensidade de carbono  | kg / €   | 0,64      | 0,57  | 0,56  | 0,56  | 0,52  | n.a.  |
| Intensidade de utilização dos recursos (recíproca da produtividade dos recursos)  | kg / €   | 1,44      | 1,58  | 1,61  | 1,49  | n.a.  | n.a.  |
| Intensidade dos resíduos  | kg / €   | n.a.      | n.a.  | 0,26  | n.a.  | 0,28  | n.a.  |
| Balança comercial produtos de energia   | % PIB    | -3,1%     | -3,7% | -4,7% | -2,9% | -3,4% | -4,2% |
| Peso da energia no IHPC   | %        | n.a.      | 9     | 10    | 11    | 12    | 13    |
| Diferença entre evolução preços da energia e inflação   | %        | n.a.      | 1,2   | 1,8   | 1,3   | 4,5   | 6,6   |
| Rácio impostos ambientais/impostos sobre e trabalho   | rácio    | 24,9%     | 22,6% | 20,6% | 19,2% | 19,4% | n.a.  |
| Rácio impostos ambientais/tributação total  | rácio    | 9,5%      | 8,5%  | 7,9%  | 8,1%  | 7,9%  | n.a.  |
| <i>Dados setoriais</i>  |          |           |       |       |       |       |       |
| Intensidade energética da indústria   | kgep / € | 0,24      | 0,23  | 0,22  | 0,22  | 0,23  | n.a.  |
| Percentagem de indústrias na economia com grande consumo energético   | % PIB    | 8,4       | 8,9   | n.a.  | n.a.  | n.a.  | n.a.  |
| Preços da eletricidade para os utilizadores industriais de média dimensão**   | €/ kWh   | n.a.      | 0,08  | 0,09  | 0,09  | 0,09  | 0,10  |
| Preços do gás para os utilizadores industriais de média dimensão***   | €/ kWh   | n.a.      | 0,03  | 0,03  | 0,03  | 0,03  | 0,04  |
| Despesas públicas em I&D para produzir energia  | % PIB    | n.a.      | 0,01% | 0,01% | 0,02% | 0,02% | 0,02% |
| Despesas públicas em I&D no domínio do ambiente   | % PIB    | n.a.      | 0,03% | 0,02% | 0,03% | 0,03% | 0,03% |
| Taxa de reciclagem de resíduos urbanos  | rácio    | 33,7%     | 36,2% | 35,5% | 39,2% | 38,1% | n.a.  |
| Percentagem de emissões de GEE abrangidas pelo RCLE*  | %        | n.a.      | 38,8% | 38,2% | 37,6% | 33,9% | 35,6% |
| Intensidade energética dos transportes  | kgep / € | n.a.      | 0,73  | n.a.  | n.a.  | n.a.  | n.a.  |
| Intensidade de carbono dos transportes  | kg / €   | n.a.      | 1,95  | n.a.  | n.a.  | n.a.  | n.a.  |
| <b>Segurança do aprovisionamento energético</b>   |          |           |       |       |       |       |       |
| Dependência das importações de energia  | %        | n.a.      | 82,0% | 82,8% | 81,1% | 75,4% | 77,4% |
| Diversificação das fontes de importação de petróleo   | HHI      | n.a.      | 0,06  | 0,07  | 0,07  | 0,07  | n.a.  |
| Diversificação do cabaz energético  | HHI      | n.a.      | 0,36  | 0,34  | 0,33  | 0,35  | 0,33  |
| Percentagem das energias renováveis no cabaz energético   | %        | n.a.      | 17,1% | 17,2% | 19,3% | 22,5% | 21,5% |
| <b>Notas específicas para o país:</b>   |          |           |       |       |       |       |       |
| O ano de 2011 não está contemplado no quadro por falta de dados.  |          |           |       |       |       |       |       |
| <b>Explicação geral dos itens do quadro:</b>  |          |           |       |       |       |       |       |
| Fonte: Eurostat salvo indicação em contrário; infra, explicações da DG ECFIN  |          |           |       |       |       |       |       |
| Todos os indicadores de intensidade macro são expressos em termos de rácio de uma quantidade física para o PIB (a preços de 2000)   |          |           |       |       |       |       |       |
| Intensidade energética: consumo interno bruto de energia (em kgep) dividido pelo PIB (em EUR)   |          |           |       |       |       |       |       |
| Intensidade de carbono: emissões de gases com efeito estufa (em kg de equivalente CO <sub>2</sub> ) divididas pelo PIB (em EUR)   |          |           |       |       |       |       |       |
| Intensidade de consumo de recursos: consumo interno de materiais (em kg) dividido pelo PIB (em EUR)   |          |           |       |       |       |       |       |
| Intensidade de resíduos: resíduos (em kg) divididos pelo PIB (em EUR)   |          |           |       |       |       |       |       |
| Balança comercial produtos de energia saldo das exportações e importações de energia, em % do PIB   |          |           |       |       |       |       |       |
| Peso da energia no IHPC: percentagem dos produtos energéticos no cabaz de consumo utilizado na elaboração do IHPC   |          |           |       |       |       |       |       |
| Diferença entre evolução preços da energia e inflação: componente energética do IHPC e inflação total medida pelo IHPC (variação anual em %)                                      |          |           |       |       |       |       |       |
| Rácio impostos ambientais/impostos sobre e trabalho: base de dados da DG TAXUD, «Taxation trends in the European Union»   |          |           |       |       |       |       |       |
| Intensidade energética da indústria: consumo final de energia da indústria (em kgep) dividido pelo valor acrescentado bruto da indústria (em EUR a preços de 2005)                |          |           |       |       |       |       |       |
| Percentagem de indústrias na economia com grande consumo energético: parte do valor acrescentado bruto das indústrias com grande consumo energético no PIB                        |          |           |       |       |       |       |       |
| Preços da eletricidade e do gás para os utilizadores industriais de média dimensão: banda de consumo 500 - 2000MWh e 10000 - 100000 GJ; valores sem IVA.                          |          |           |       |       |       |       |       |
| Taxa de reciclagem de resíduos urbanos: rácio entre os resíduos urbanos reciclados e os resíduos urbanos totais   |          |           |       |       |       |       |       |
| Despesas públicas em I&D para produzir energia ou no domínio do ambiente: despesas públicas em I&D (GBAORD) para essas categorias em % do PIB                                     |          |           |       |       |       |       |       |
| Percentagem de emissões de GEE abrangidas pelo RCLE: com base nos dados sobre emissões de gases de efeito estufa, comunicados pelos Estados-Membros à AEA (excluindo LULUCF)      |          |           |       |       |       |       |       |
| Intensidade energética dos transportes: consumo final de energia dos transportes (em kgep) dividido pelo valor acrescentado bruto da indústria (em EUR a preços de 2005)          |          |           |       |       |       |       |       |
| Intensidade de carbono dos transportes: emissões de gases com efeito de estufa dos transportes divididas pelo valor acrescentado bruto do setor dos transportes                   |          |           |       |       |       |       |       |
| Dependência das importações de energia: importações líquidas de energia dividido pelo consumo interno bruto de energia, incluindo «bunkers» internacionais                        |          |           |       |       |       |       |       |
| Diversificação das fontes de importação de petróleo: índice Herfindahl (HHI), que corresponde à soma das quotas de mercado ao quadrado dos países de origem                       |          |           |       |       |       |       |       |
| Diversificação do cabaz energético: índice Herfindahl sobre o gás natural, total dos produtos petrolíferos, fontes de calor nucleares, energias renováveis e combustíveis sólidos |          |           |       |       |       |       |       |
| Percentagem das energias renováveis no cabaz energético: percentagem do consumo energético interno total, expressa em toneladas de equivalente petróleo                           |          |           |       |       |       |       |       |
| *Dados provisórios fornecidos pela DG CLIMA. Os dados finais serão disponibilizados em 15/04.   |          |           |       |       |       |       |       |
| ** Média do S1 & S2 em 2007 para DE, LU, NL, FI, SE & UK. O outros países só têm S2.  |          |           |       |       |       |       |       |
| *** Média do S1 & S2 em 2007 para IT, NL, FI, SE & UK. O outros países só têm S2.   |          |           |       |       |       |       |       |



PARLAMENTO EUROPEU

2009 - 2014

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*Comissão dos Assuntos Económicos e Monetários*

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**2013/XXXX(INI)**

20.6.2013

# PROJETO DE RELATÓRIO

sobre o Semestre Europeu para a Coordenação das Políticas Económicas:  
implementação das prioridades de 2013  
(2013/XXXX(INI))

Comissão dos Assuntos Económicos e Monetários

Relatora: Elisa Ferreira

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## PROPOSTA DE RESOLUÇÃO DO PARLAMENTO EUROPEU

### sobre o Semestre Europeu para a Coordenação das Políticas Económicas: implementação das prioridades de 2013

(2013/XXXX(INI))

*O Parlamento Europeu,*

- Tendo em conta a sua Resolução, de 26 de outubro de 2012, sobre o Semestre Europeu para a Coordenação das Políticas Económicas: aplicação das prioridades para 2012<sup>1</sup>,
- Tendo em conta as Conclusões do Conselho Europeu, de 14 e 15 de março de 2013,
- Tendo em conta o Tratado sobre o Funcionamento da União Europeia, nomeadamente o artigo 136.º, em articulação com o artigo 121.º, n.º 2,
- Tendo em conta o Regulamento (UE) n.º 1175/2011 do Parlamento Europeu e do Conselho, de 16 de novembro de 2011, que altera o Regulamento (CE) n.º 1466/97 relativo ao reforço da supervisão das situações orçamentais e à supervisão e coordenação das políticas económicas,
- Tendo em conta a Diretiva 2011/85/UE do Conselho, de 8 de novembro de 2011, que estabelece requisitos aplicáveis aos quadros orçamentais dos Estados-Membros,
- Tendo em conta o Regulamento (UE) n.º 1174/2011 do Parlamento Europeu e do Conselho, de 16 de novembro de 2011, relativo às medidas de execução destinadas a corrigir os desequilíbrios macroeconómicos excessivos na área do euro,
- Tendo em conta o Regulamento (UE) n.º 1177/2011 do Conselho, de 8 de novembro de 2011, que altera o Regulamento (CE) n.º 1467/97 relativo à aceleração e clarificação da aplicação do procedimento relativo aos défices excessivos,
- Tendo em conta o Regulamento (UE) n.º 1176/2011 do Parlamento Europeu e do Conselho, de 16 de novembro de 2011, sobre prevenção e correção dos desequilíbrios macroeconómicos,
- Tendo em conta o Regulamento (UE) n.º 1173/2011 do Parlamento Europeu e do Conselho, de 16 de novembro de 2011, relativo ao exercício eficaz da supervisão orçamental na área do euro,
- Tendo em conta o Regulamento (UE) n.º 473/2013 do Parlamento Europeu e do Conselho, de 21 de maio de 2013, que estabelece disposições comuns para o acompanhamento e avaliação dos projetos de planos orçamentais e para a correção do défice excessivo dos Estados-Membros da área do euro,
- Tendo em conta o Regulamento (UE) n.º 472/2013 do Parlamento Europeu e do Conselho,

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<sup>1</sup> Textos aprovados, P7\_TA(2012)0408.

de 21 de maio de 2013, relativo ao reforço da supervisão económica e orçamental dos Estados-Membros da área do euro afetados ou ameaçados por graves dificuldades no que diz respeito à sua estabilidade financeira,

- Tendo em conta a Comunicação da Comissão, de 28 de novembro de 2012, sobre a Análise Anual do Crescimento para 2013 (COM(2012)0750),
  - Tendo em conta a sua Resolução, de 7 de fevereiro de 2013, sobre a contribuição para a Análise Anual do Crescimento para 2013<sup>1</sup>,
  - Tendo em conta a Comunicação da Comissão, de 27 de março de 2013, ao Parlamento Europeu, ao Conselho, ao Banco Central Europeu, ao Comité Económico e Social Europeu e ao Comité das Regiões intitulada "Painel da justiça da UE – Um instrumento para promover uma justiça efetiva e o crescimento económico" (COM(2013)0160),
  - Tendo em conta a Comunicação da Comissão, de 29 de maio de 2013, que acompanha os projetos de recomendações específicas formuladas para cada país em 2013, intituladas "Semestre Europeu de 2013: recomendações específicas por país: ultrapassar a crise na Europa" (COM(2013)0350),
  - Tendo em conta a proposta da Comissão de uma Recomendação do Conselho, de 29 de maio de 2013, relativa à aplicação das orientações gerais para as políticas económicas dos Estados-Membros cuja moeda é o euro (COM(2013)0379), bem como todas as propostas da Comissão, de 29 de maio de 2013, de recomendações do Conselho aos Estados-Membros individuais da União Europeia,
  - Tendo em conta o artigo 48.º do seu Regimento,
  - Tendo em conta o relatório da Comissão dos Assuntos Económicos e Monetários e os pareceres da Comissão dos Orçamentos e da Comissão do Emprego e dos Assuntos Sociais (A7-0000/2013),
- A. Considerando que as crises económica, social, financeira e da dívida soberana ainda não abrandaram e que o objetivo de uma União Económica e Monetária (UEM) mais equilibrada e integrada se mantém como uma ambição por concretizar;
- B. Considerando que as recomendações específicas por país contêm algumas informações úteis, mas que no geral não convencem em termos de equilíbrio das prescrições políticas nos vários domínios de ação;
- C. Considerando que é necessária uma ação urgente em muitos domínios, *inter alia*, nos do restabelecimento da concessão de crédito à economia real e às PME, do combate à fraude fiscal e à programação fiscal agressiva, bem como da procura de soluções europeias eficazes para o desemprego, reforçando igualmente de forma significativa a dimensão social da UEM;
- D. Considerando que a legitimidade democrática da governação económica no Semestre

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<sup>1</sup> Textos aprovados, P7\_TA(2013)0053.

Europeu exige um respeito real e dedicado pelas prerrogativas parlamentares a nível europeu e nacional contra a tendência para uma cultura de tomada de decisões políticas cada vez mais não parlamentarizada e intergovernamental a nível da UE;

- E. Considerando que, em virtude de as novas disposições introduzidas pelo chamado "*two-pack*" já terem entrado em vigor, as recomendações específicas por país têm maior importância agora que os programas de reformas nacionais e os programas de estabilidade têm de ser coerentes com essas recomendações;
- F. Considerando que, embora no caso dos Estados-Membros sujeitos a um programa de ajuda financeira as recomendações tenham sido estritamente observadas, o nível de cumprimento de anteriores recomendações específicas por país pelos restantes Estados-Membros é extremamente reduzido;
- G. Considerando que o "*two-pack*" estabelece um método comunitário claro relativamente aos Estados-Membros na área do euro afetados ou ameaçados por graves dificuldades no que diz respeito à sua estabilidade financeira;
1. Saúda o reconhecimento por parte da Comissão de que "as políticas, para terem êxito, não só têm de ser bem concebidas como necessitam de apoio político e social" e que a Europa precisa, além de consolidação orçamental, de um verdadeiro crescimento e de medidas específicas e urgentes para enfrentar os níveis inaceitavelmente elevados do desemprego;
  2. Congratula-se com o reconhecimento por parte da Comissão de que os países "deficitários" precisam de impulsionar a sua competitividade e de que os países "excedentários" precisam de impulsionar a sua procura, bem como de que esta situação requer uma revisão profunda da posição política dominante;
  3. Insta a Comissão e o Conselho a evitarem assumir uma abordagem igual para todos os casos em relação às recomendações específicas por país e a assegurarem que as recomendações são ajustadas às especificidades e às necessidades nacionais dos Estados-Membros em causa;
  4. Saúda o facto de as recomendações da Comissão serem dirigidas não só aos Estados-Membros, mas também a toda a área do euro; considera porém lamentável que as recomendações feitas aos Estados-Membros não tenham suficientemente em consideração a forte interdependência entre as economias da UE, nomeadamente na área do euro, nem toda a informação contida no relatório sobre o mecanismo de alerta;
  5. Apela a uma maior investigação sobre os motivos que conduziram a um enorme aumento das disparidades internas em termos de competitividade e de desempenho económico nos Estados-Membros, decorrentes da utilização da moeda única e, nomeadamente, do impacto assimétrico das políticas comuns;
  6. Apela a uma avaliação prudente das previsões de crescimento de "recuperação lenta", na medida em que as previsões anteriores da Comissão foram sucessivamente revistas no sentido em baixa, e recomenda uma análise mais detalhada da sustentabilidade das melhorias identificadas na balança comercial e na balança de transações correntes, bem como nos défices públicos;



7. Saúda o reconhecimento por parte da Comissão de que "a redução dos custos não pode ser, e não será, a forma como a competitividade da Europa irá vingar na economia mundial" e que é essencial, para melhorar a competitividade, investir na educação, na investigação e inovação e na eficiência da utilização dos recursos, em consonância com os objetivos da Estratégia Europa 2020; lamenta, por conseguinte, a inexistência de progressos na concretização das metas da UE para 2020; apela a que o reconhecimento supramencionado seja adequadamente refletido nas recomendações específicas por país para os países "deficitários", na medida em que estes são os Estados-Membros que necessitam urgentemente de impulsionar a sua competitividade;
8. Lamenta a não execução dos 120 mil milhões de euros do Pacto para o Crescimento e o Emprego acordado em junho de 2012, da iniciativa relativa às obrigações para financiamento de projetos lançada em novembro de 2012 e do investimento adicional de 180 mil milhões de euros por parte do BEI (após o aumento de 10 mil milhões de euros do capital realizado para o BEI aprovado em 8 de janeiro de 2013); insta o Conselho e a Comissão a investigarem e a removerem com caráter de urgência os obstáculos que impedem a concretização plena destas iniciativas;
9. Exorta a Comissão a apresentar com urgência a proposta legislativa sobre novos incentivos financeiros de apoio aos Estados-Membros na aplicação de reformas estruturais, incluindo um Instrumento de Competitividade e Convergência (ICC) baseado no método comunitário, como primeiro passo no sentido de uma capacidade orçamental europeia;
10. Insta a Comissão a incluir no âmbito de um apoio financeiro do ICC as reformas estruturais em domínios que bloqueiam o dinamismo e a eficiência económicos, tais como reformas dos sistemas judiciais nacionais, tecnicamente apoiados pelo Painel da Justiça da UE;
11. Saúda a utilização por parte da Comissão da margem de manobra oferecida pelo Pacto de Estabilidade e Crescimento revisto no sentido de alargamento dos prazos para a correção de défices excessivos em sete procedimentos; exorta a Comissão e o Conselho a assegurarem que o conteúdo e o calendário da trajetória de ajustamento orçamental sejam adaptados à especificidade de cada país e, nomeadamente em países "deficitários", incluam a supramencionada margem de manobra e a plena utilização dos fundos estruturais, reformas estruturais sólidas e sustentáveis, bem como a identificação de investimentos (nomeadamente nas recomendações específicas por país) essenciais para impulsionar a competitividade; exorta igualmente a Comissão a clarificar com caráter de urgência as formas de permitir, sob determinadas circunstâncias, programas não recorrentes e de investimento público com um impacto comprovado na sustentabilidade das finanças públicas;
12. Saúda a declaração da Comissão de que os países "excedentários" têm um papel a desempenhar para se ultrapassar a crise atual, não só através da redução de impostos e de contribuições para a segurança social, mas também do aumento dos salários, de modo a impulsionar uma procura interna sustentável e promover novas oportunidades de investimento; salienta ainda a importância dos efeitos positivos que estas medidas terão sobre outros setores económicos em toda a UE;

13. Insta a Comissão a desenvolver uma verdadeira política industrial europeia e uma política de comércio externo europeia coerente, com base na reciprocidade e em normas mínimas partilhadas, nomeadamente nos domínios social e do ambiente; considera que só através de uma gestão inteligente da sua interface com a "globalização" é que a Europa pode garantir crescimento, empregos e, para vários Estados-Membros, a progressiva reafetação de recursos recomendada de setores não comerciais para setores comerciais;
14. Elogia o reconhecimento por parte da Comissão de que é necessário prestar uma maior atenção ao impacto distributivo das reformas e insta-a a realizar uma rigorosa avaliação *ex ante* ao impacto social de todas as novas reformas recomendadas e a retirar todas as conclusões necessárias das recomendações anteriores, incluindo as feitas aos Estados-Membros sujeitos a programas de ajuda financeira;
15. Exorta a Comissão a apresentar propostas legislativas de modo a concluir a UEM através de um pilar social, na medida em que os estabilizadores automáticos nacionais estão bloqueados nos Estados-Membros onde são mais necessários; salienta ainda a necessidade de um painel social como alicerce deste pilar;
16. Concorda em que a ação do BCE "contribuiu decisivamente para eliminar os riscos para a área do euro que se perfilavam", limitando a especulação sobre a dívida soberana; considera no entanto, considera que um crescimento insuficiente e níveis elevados (e ainda a subir) de dívida pública e privada em muitos Estados-Membros significam que é necessário garantir que é «cuidadosamente gerido o processo de desalavancagem»; insta, por conseguinte, a Comissão a apresentar rapidamente os seus compromissos "two-pack" ao Parlamento, a fim de aprofundar a análise sobre a substituição parcial da emissão de dívida nacional por uma emissão conjunta, sob a forma de um fundo de resgate e de *eurobills* (euro-obrigações de curto prazo);
17. Salienta que o financiamento da economia real, e das PME em particular, não foi restabelecido na periferia da UE; sublinha que as maiores diferenças no acesso ao crédito reforçam as tendências de divergências internas crescentes na UE e na área do euro em particular, bem como destroem o mercado interno através de condições concorrenciais desleais; sublinha igualmente que as perspetivas económicas negativas justificam apenas parcialmente essas restrições ao crédito; apela a um acompanhamento mais rigoroso das práticas do setor bancário no financiamento à economia real, nomeadamente a PME economicamente viáveis; apela ainda à Comissão que defina prioridades de trabalho sobre fontes alternativas de financiamento para PME, especialmente através de Fundos Estruturais, do Banco Europeu de Investimento, do Fundo Europeu de Investimento e de bancos de desenvolvimento públicos;
18. Insta a Comissão a apresentar uma proposta legislativa para a criação de um Mecanismo Único de Resolução (incluindo uma autoridade única europeia e um fundo único europeu financiado pela indústria), essencial para realizar a união bancária; insta ainda o Conselho a concluir as negociações com o Parlamento sobre a Diretiva relativa a sistemas de garantia de depósitos e sobre a Diretiva relativa à recuperação dos bancos e resolução de crises bancárias (a serem negociadas em paralelo);
19. Apela a uma recapitalização direta dos bancos por parte do Mecanismo Europeu de Estabilidade (MEE), que esteja disponível logo que todos os pilares da união bancária

estejam em vigor – nomeadamente o mecanismo único de supervisão e os quadros de garantia de depósitos e de recuperação e resolução; apoia tendo em conta a urgência de ter um fundo único de resolução a acompanhar o mecanismo único de supervisão, o fornecimento antecipado do MEE para alimentar esse fundo, com um período de reembolso por parte da indústria; considera que a facilidade do MEE tem de reforçar o orçamento da UE e ser gerida de acordo com o método comunitário;

20. Acolhe com satisfação o "Plano de Ação para reforçar a luta contra a fraude e a evasão fiscais" da Comissão, bem como as suas recomendações sobre as "medidas destinadas a encorajar os países terceiros a aplicarem normas mínimas de boa governação no domínio fiscal" e sobre "programação fiscal agressiva", adotadas em 6 de dezembro de 2012; sublinha que a justiça na partilha de encargos requer uma abordagem inteiramente nova à fraude e evasão fiscais; apela a uma ação urgente por parte da Comissão e a um claro apoio por parte do Conselho a estes dossiês;
21. Insta o Conselho a concluir as negociações para o imposto sobre as transações financeiras e a incluir na sua agenda, com caráter de urgência, a convergência dos sistemas fiscais na UE;
22. Apela a uma aplicação urgente do "*two pack*", tendo como consequência imediata a remodelação do sistema *ad hoc* de "troicas" numa estrutura juridicamente sólida ao abrigo da legislação europeia, respeitando níveis mínimos de responsabilização democrática;
23. Salaria que o Semestre Europeu não pode, de forma alguma, comprometer as prerrogativas do Parlamento; insta a Comissão a assegurar o envolvimento formal adequado do Parlamento em todas as etapas do processo do Semestre Europeu, de modo a aumentar a legitimidade de decisões que afetam todos os cidadãos;
24. Sublinha a necessidade de reforçar a responsabilização democrática perante o Parlamento de elementos essenciais da operação da área do euro, tais como o MEE, decisões do Eurogrupo e o acompanhamento e avaliação de programas de ajuda financeira;
25. Exorta a Comissão a assegurar que os Estados-Membros envolvam os seus parlamentos nacionais, os parceiros sociais e a sociedade civil em todo o processo do Semestre Europeu e especialmente na criação e debate dos seus programas de reformas nacionais;
26. Destaca a importância do diálogo entre o Parlamento Europeu e os parlamentos nacionais, tendo em vista um processo do Semestre Europeu plenamente operacional e atingir o nível necessário de responsabilização democrática no que se refere a todos os participantes; sublinha a utilidade da Semana Parlamentar Europeia no Semestre Europeu para a Coordenação das Políticas Económicas (SPE 2013);
27. Encarrega o seu Presidente de transmitir a presente resolução ao Conselho, aos Governos dos Estados-Membros, à Comissão, aos Parlamentos nacionais e ao Banco Central Europeu.



ЕВРОПЕЙСКИ ПАРЛАМЕНТ    PARLAMENTO EUROPEO    EVROPSKÝ PARLAMENT    EUROPA-PARLAMENTET  
EUROPÄISCHES PARLAMENT    EUROOPA PARLAMENT    ΕΥΡΩΠΑΪΚΟ ΚΟΙΝΟΒΟΥΛΙΟ    EUROPEAN PARLIAMENT  
PARLEMENT EUROPÉEN    PARLAIMINT NA HEORPA    PARLAMENTO EUROPEO    EIROPAS PARLAMENTS  
EUROPOS PARLAMENTAS    EURÓPAI PARLAMENT    IL-PARLAMENT EWROPEW    EUROPEES PARLEMENT  
PARLAMENT EUROPEJSKI    PARLAMENTO EUROPEU    PARLAMENTUL EUROPEAN  
EURÓPSKY PARLAMENT    EVROPSKI PARLAMENT    EUROOPAN PARLAMENTTI    EUROPAPARLAMENTET

Directorate-General for the Presidency  
Relations with National Parliaments  
Legislative Dialogue Unit

## **Committee on Economic and Monetary Affairs**

### **ECON Committee exchange of views with National Parliaments**

**on the**

### **The 2013 cycle of the European Semester**

### **List of Participants National Parliaments**

*17 September 2013  
Room PHS 3C050*

*15h00-16h30*

*European Parliament  
Brussels*

*closed on .....September 2013*

## BELGIQUE/BELGIE (Belgium)

### *CHAMBRE DES REPRESENTANTS/ KAMER VAN VOLKSVERTEGENWOORDIGERS*

#### Members:



**Mr Georges GILKINET**

Chair, Committee on Finance and Budget  
*Ecolo - Greens/EFA*



**Mr Herman DE CROO**

Vice-Chair, Committee on European Affairs  
*Open Vld - ALDE*

#### Officials:

**Mr Tom DE GEETER**

Clerk, Committee on Finance and Budget

## EIRE-IRELAND

### *DÁIL ÉIREANN (House of Representatives)*

#### Members:



**Mr Ciarán LYNCH**

Chair, Joint Committee on Finance, Public Expenditure and  
Reform  
*Labour - S&D*

#### Officials:

**Mr Derek DIGNAM**

National Parliament Representative

## ESPAÑA (Spain)

### CONGRESO DE LOS DIPUTADOS

Members:



**Mr Santiago LANZUELA MARINA**

Chair, Committee on Economics and Competitiveness  
*G.P. Popular - EPP*

## FRANCE

### ASSEMBLEE NATIONALE

Members:



**Mr Christophe CARESCHE**

Committee on European Affairs  
*Groupe Socialiste, Républicain et Citoyen (SRC) - S&D*

Officials:

**Ms Annabelle ARCHIEN**

Administrator - Committee on European Affairs

## LIETUVA (Lithuania)

### SEIMAS

Members:



**Mr Remigijus ŽEMAITAITIS**

Chair, Committee on Economics  
*Order and Justice Political Group - EFD*



**Mr Petras NARKEVIČIUS**

Vice-Chair, Committee on Budget and Finance  
*Labour party Political group - ALDE*

Officials:

**Ms Jolanta DZIKAITE**  
Adviser, Committee on Budget and Finance

**Ms Rasa Ona DUBURAITĖ**  
Adviser, Committee on Economics

**Ms Živilė PAVILONYTĖ**  
National Parliament Representative

**LUXEMBOURG**

**CHAMBRE DES DEPUTES**

Members:



**Mr Roger NEGRI**

Vice-Chair, Committee on Budget and Finance  
*LSAP- S&D*

Officials:

**Mr Frédéric BOHLER**  
National Parliament Representative

**MAGYARORSZÁG (Hungary)**

**ORSZÁGGYŰLÉS (National Assembly)**

Members:



**Ms Anna MAGYAR**

Committee on Audit Office and Budget  
*FIDESZ - EPP*

Officials:

**Ms Éva SZEKRÉNYES**  
National Parliament Representative

## ÖSTERREICH (Austria)

### *NATIONALRAT*

Members:



**Mr Kai jan KRAINER**

Vice-Chair, Committee on Finance  
*Social Democrats - S&D*

## PORTUGAL

### *ASSEMBLEIA DA REPÚBLICA*

Members:



**Mr Eduardo CABRITA**

Chair, Committee on Budget, Finance and Public  
Administration  
*Socialist Party - S&D*



**Mr José Manuel CANAVARRO**

Chair, Committee on Social Security and Labour  
*Social Democratic Party - EPP*



**Mr Nuno Filipe MATIAS**

Committee on European Affairs  
*Social Democratic Party - EPP*

Officials:

**Ms Joana FIGUEIREDO**

Adviser, Committee on budget, Finance and Public  
administration

**Mr Bruno DIAS PINHEIRO**

National Parliament Representative



## ROMÂNIA (Romania)

### *CAMERA DEPUTATILOR (Chamber of Deputies)*

Members:



**Ms Aurelia CRISTEA**

Committee on Budget, Finance and Banks  
*Social Democratic Party - S&D*

## SLOVENIJA (Slovenia)

### *DRŽAVNI ZBOR (National Assembly)*

Members:



**Mr Matevž FRANGEŽ**

Vice-Chair, Committee on Finance and Monetary Policy  
*Social Democrats Deputy Group - S&D*



**Ms Aleksandra OSTERMAN**

Vice-Chair, Committee on EU Affairs  
*Positive Slovenia Deputy Group - Non-attached (NI)*

Officials:

**Ms Romana NOVAK**  
National Parliament Representative

## **Officials**

(of Parliaments or Chambers not having a political delegation at the present meeting)

### **DEUTSCHLAND (Germany)**

*BUNDESTAG*

**Mr Mark STANITZKI**

Official of a national political group (FDP)  
Bundestag Liaison Office in Brussels

**Ms Vesna POPOVIC**

National Parliament Representative

### **EESTI (Estonia)**

*RIIGIKOGU*

**Ms Malle KUULER**

National Parliament Representative

### **HRVATSKA (Croatia)**

*HRVATSKI SABOR*

**Ms Tanja BABIC**

National Parliament Representative

### **ΚΥΠΡΟΣ (Cyprus)**

*ΒΟΥΛΗ ΤΩΝ ΑΝΤΙΠΡΟΣΩΠΩΝ (House of Representatives)*

**Ms Mary SAVA**

National Parliament Representative

### **POLSKA (Poland)**

*SENAT*

**Ms Magdalena SKULIMOWSKA**

National Parliament Representative



ΕΒΡΟΠΕΪΣΚΙ ΠΑΡΛΑΜΕΝΤ ΠΑΡΛΑΜΕΝΤΟ ΕΥΡΟΠΕΟ ΕΥΡΩΠΣΚΪ ΠΑΡΛΑΜΕΝΤ ΕΥΡΟΠΑ-ΠΑΡΛΑΜΕΝΤΕΤ  
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Directorate-General for the Presidency  
Directorate for relations with National Parliaments

Committee on Economic and Monetary Affairs

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**PRACTICAL INFORMATION  
A-Z**

**Arrival and Distribution of Access Cards**

The reception area for this meeting is located in the entrance zone of the Altiero Spinelli (ASP) building, **Place du Luxembourg, Espace Simone Veil entrance on the Esplanade de la Solidarité (side Luxembourg station).**

**Tuesday 17 September 2013, 14h00-15h30**

Alternatively, the Brussels-based representatives of the national Parliaments may collect the access cards for their delegations from the Directorate for Relations with National Parliaments (Rue Wiertz 50 building, 5th floor, office 05 U020) on Tuesday, 17 September 2013 from 10h00 to 12h00.

**Cloakroom**

Coats may be left (unguarded) on coat racks outside the meeting room. The European Parliament declines responsibility for the loss or theft of items.

## **Internet / WIFI Access**

Upon registration, participants can request an access code for the European Parliament wireless internet service. This access code is valid for the day of the meeting.

Participants who request such an access code will need to sign a document stating that they agree with the terms and conditions of the European Parliament's internet service.

Please note that **no workstations** or computer rooms will be provided at the meeting.

## **Meeting Documents**

Meeting documents will be distributed in the meeting room and will be available at

<http://www.europarl.europa.eu/webnp/cms/pid/1956>

## **Taxis / public transport**

A taxi rank and a stop of the Brussels airport bus line are located on Place de Luxembourg, close to the entrance of the European Parliament.

## ***Contacts at the Committee on Economic and Monetary Affairs***

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|---|--|
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|---|--|