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Country-Specific Recommendations for 2018 and 2019

A tabular comparison and an overview of implementation

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DIRECTORATE-GENERAL FOR INTERNAL POLICIES OF THE UNION

ECONOMIC GOVERNANCE SUPPORT UNIT

Country-Specific Recommendations for 2018 and 2019

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This document presents:

- The European Commission's **assessments of the implementation of the 2019 Country-Specific Recommendations** based on its Country Reports published on 26 February 2020.
- The **2019 Country-Specific Recommendations** proposed by the European Commission on 5 June 2019 and adopted by the Council on 9 July 2019.
- The European Commission's **assessments of the implementation of the 2018 Country-Specific Recommendations** based on its Country Reports published on 27 February 2019.
- The **2018 Country-Specific Recommendations** proposed by the European Commission on 23 May 2018 and adopted by the Council on 13 July 2018.

For an overview of the Council Recommendations on the economic policy of the euro area, please see a separate EGOV document.

The Country-Specific Recommendations may relate to **a specific EU policy objective and underlying legal procedure**:

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

► The 2019 CSRs have been re-arranged in the table below, where applicable, by policy area to allow for an easier comparison with the 2018 CSRs; for the same sake, some assessments of sub-CSRs have also been rearranged within the same CSRs.

► The "colour code" used for the assessment of CSR implementation is based on the categories used by the Commission (COM) in its Country Reports: **"red"** = "no progress" or "limited progress"; **"yellow"** = "some progress"; **"green"** = "substantial progress" or "full progress" (see assessment criteria at the end of this document)

Please note that the overall assessment of the Country-Specific Recommendations (carried out in the Commission country reports in February 2020) does not include an assessment of **compliance with the** recommendations based on the SGP. However, in June 2019, the Commission evaluated also progress with the compliance of SGP related recommendations in its assessments of the 2019 Stability and Convergence Programmes without using or referring to the assessment grid used for other Country-Specific Recommendations; summaries of these assessments of SGP compliance have been added in the overleaf table (see grey parts in the second column) for those countries which received a SGP based Recommendation in July 2018.

For an overview of recent key developments under the Stability and Growth Pact (including on relevant indicators included in the latest comprehensive European Commission economic forecasts), please see separate EGOV document.

For an **overview and comparison of CSRs over the previous European Semester cycles**, please see the following documents:

- Country-Specific Recommendations for 2017 and 2018: A comparison and an overview of implementation (PE 614.522)
- Country-Specific Recommendations for 2016 and 2017: A comparison and an overview of implementation (PE 602.081)
- Country-Specific Recommendations for 2015 and 2016: A comparison and an overview of implementation (PE 497.766)
- Country-Specific Recommendations (CSRs) for 2014 and 2015: A comparison and an overview of implementation (PE 542.659)

For **summary overviews of CSR implementation** per year by EU Member States, please see the following documents:

- Implementation of the 2018 Country-Specific Recommendations (PE 634.354)
- Implementation of the 2017 Country-Specific Recommendations (PE 614.500)
- Implementation of the 2016 Country-Specific Recommendations (PE 587.394)
- Implementation of the 2015 Country-Specific Recommendations (PE 574.398)
- Implementation of the 2014 Country-Specific Recommendations (PE 542.649)

For an overview of the Commission assessments of CSRs implementation since 2012, please see also separate database as published on the EP homepage.

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BE	2018 CSRs SGP: CSR 1 MIP: -	Assessment of implementation of 2018 CSRs February 2019	2019 CSRs SGP: CSR 1 MIP: -	Assessment of implementation of 2019 CSRs February 2020
	1. Ensure that the nominal growth rate of net primary government expenditure does not exceed 1,8 % in 2019, corresponding to an annual structural adjustment of 0,6 % of GDP. Use windfall gains to accelerate the reduction of the general government debt ratio. Pursue the envisaged pension reforms and contain the projected increase in long-term care expenditure. Pursue the full implementation of the 2013 Cooperation Agreement to coordinate fiscal policies of all government levels. Improve the efficiency and composition of public spending at all levels of government to create room for public investment, in particular by carrying out spending reviews. *Split into Sub-CSRs*	**Limited Progress** (this overall assessment of country-specific recommendation 1 does not include an assessment of compliance with the Stability and Growth Pact). In June 2019, the Commission evaluated compliance with the SGP in its assessment of the 2019 Stability Programme for Belgium (without using or explicitly referring to the assessment grid used for other CSRs): *"Following an overall assessment, which takes into account large uncertainties related to key factors of fiscal performance in 2017 and 2018, and in line with last year's analysis, there is no sufficient evidence to conclude that Belgium is non-compliant with the required adjustment path towards the MTO in 2018 and over 2017 and 2018 taken together. (...) However, according to the Commission 2019 spring forecast, there is a* ***risk of significant deviation both in 2019 and in 2020, following an overall assessment.*** *According to the outturn data, Belgium did not comply with the debt reduction benchmark in 2018. Prima facie, there thus appears to be a risk of the existence of an excessive deficit in the sense of the Treaty and the SGP. The Commission has therefore prepared a report under Article 126(3) TFEU analysing whether Belgium is compliant with the debt criterion of the Treaty.* ***The report could not fully conclude, following an assessment of all the relevant factors, if the debt criterion as defined in the Treaty and in Regulation (EC) No 1467/1997 should be considered as complied or not with.****"* (p. 24)	1. Ensure that the nominal growth rate of net primary government expenditure does not exceed 1,6 % in 2020, corresponding to an annual structural adjustment of 0,6 % of GDP. Use windfall gains to accelerate the reduction of the general government debt ratio. Continue reforms to ensure the fiscal sustainability of the long-term care and pension systems, including by limiting early exit possibilities from the labour market. Improve the composition and efficiency of public spending, in particular through spending reviews, and the coordination of fiscal policies by all levels of government to create room for public investment. *Split into Sub-CSRs*	**Limited Progress** (this overall assessment of country-specific recommendation 1 does not include an assessment of compliance with the Stability and Growth Pact; the Stability and Growth Pact compliance assessment will be added to the table once the Commission has carried out such an assessment, probably in May/June 2020, on the basis of final data for 2019).

	• Ensure that the nominal growth rate of net primary government expenditure does not exceed 1,8 % in 2019, corresponding to an annual structural adjustment of 0,6 % of GDP. Use windfall gains to accelerate the reduction of the general government debt ratio.	*See grey part above.*	• Ensure that the nominal growth rate of net primary government expenditure does not exceed 1,6 % in 2020, corresponding to an annual structural adjustment of 0,6 % of GDP. • Use windfall gains to accelerate the reduction of the general government debt ratio.	The compliance assessment with the Stability and Growth Pact will be included in Spring when final data for 2019 will be available.
	• Pursue the envisaged pension reforms	**Limited Progress.** A number of measures have been adopted since 2015 in order to control the costs of ageing and guaranteeing the fiscal sustainability of the first pension pillar. The measures mostly consist in: gradually raising the legal age; tightening the conditions of access to the early pension; gradually eliminating the consideration of years of study in careers for the public sector; introduction of the mixed pension system. However, even when taking into account those measures, the projected increase in pension expenditure is significant and put the long-term sustainability at risk. The planned measures about the definition of 'ardous jobs' and the introduction of 'credit-based public pension system' have been postponed.	• Continue reforms to ensure the fiscal sustainability of the long-term care	**Limited Progress.** Competences for long-term care have been devolved to the regional level. Flanders intends to pursue a strict budgetary follow-up of government spending based on ageing. Furthermore, spending related to ageing is regulated within a framework in which the 'growth norm' has been agreed and can be enforced. The Walloon region has put in place actions, including the adoption of decrees, to improve preventive cares. Moreover, it has been introduced the obligation for hospitals to be part of a network from 1 January 2020.
	• and contain the projected increase in long-term care expenditure.	**Limited Progress.** The devolution to the regions of the responsibilities for the long-term care system does not appear to have a clear impact the long-term sustainability of the system. In absence of measures, according to the Ageing Working Group reference scenario public expenditure on long-term care is projected to steadily increase from 2.3 % of GDP in 2016 to 4.0 % of GDP in 2070.	• and pension systems, including by limiting early exit possibilities from the labour market.	**Limited Progress.** Measures to contain pension expenditure have been adopted throughout the period 2014-2019. In spite of these measures, the projected increase in pension expenditure is one of the largest in the EU (European Commission 2018b Ageing report). An agreement on the reform of 'arduous job' could not be reached. The introduction of partial pension, which allow taking up a part of the pension rights while accumulating pension rights for the (partially) continued activity, will be discussed in the Parliament next year. In addition,

				to increase incentives to work, Flanders is planning to introduce of a 'job bonus', which aims to grant to all workers with a gross wage lower than EUR 1700, with an additional income of EUR 50 per month, with the bonus tapering off as wage increase and disappearing altogether for wage of EUR 2500 or higher.
	• Improve the efficiency and composition of public spending at all levels of government to create room for public investment, in particular by carrying out spending reviews.	**Limited Progress.** In March 2017, the Prime Minister announced the elaboration of a National Pact for Strategic Investments. Within the framework of the National Pact for Strategic Investments, eight working groups were set up to support the Strategic Committee. Six of these working groups have made a thorough analysis of the potential investments concerning the six thematic pillars of the Pact (digital, cyber security and trust in digital, education, health, energy and mobility) and two working groups have discussed the transversal issues of the regulation and the mobilisation of capital for investment. In Mach 2017, a Strategic Committee was also established to outline the main points of the Pact and make recommendations to the government. Since October 2017, the Strategic Committee has been in the operational phase of the Pact, which is aimed at formulating concrete recommendations on investment projects and measures to promote their implementation and increase their impact on growth. In the context of the preparation of the initial budget 2019, the federal government intends to finance 447 million on strategic investment projects. The Government of Flanders is preparing the structural incorporation of a spending review approach in its budgetary process. As a first step, the Flemish Government is carrying out a pilot project with a focus on a specific topic, as recommended by the Euro-	• Improve the composition and efficiency of public spending, in particular through spending reviews,	**Limited Progress.** The Bruxelles Capital region has announced plans to conduct a comprehensive gap analysis of its public financial management (PEFA) in order to introduce a multi-annual approach and to increase the link between budget, policies, and results. The completion of the PEFA review is planned by spring 2021 at the latest. Flanders, after completing a pilot project on spending review, is preparing the structural implementation of a spending review approach in its budgetary process. The Walloon region plans to start the evaluation of a number of policy measures, with a view to complete the exercise by 2021.

		pean Council. The pilot project will be completed in spring 2019. Further preparatory measures towards the structural incorporation of spending reviews in the budgetary process are planned for 2019.		
	• Pursue the full implementation of the 2013 Cooperation Agreement to coordinate fiscal policies of all government levels.	**Limited Progress.** According to the 2013 Cooperation Agreement, the Consultation Committee must discuss the global budgetary objective and take a decision on individual objectives for the Stability Programme based on an opinion of the High Council of Finance. In contrast with the practice of previous Stability Programmes, in which the Consultation Committee "took note" of the trajectory, all levels of government approved the overall fiscal trajectory presented in 2018 Stability Programme and supported the achievement of the fiscal targets by 2020 for all government levels. Although this approval added credibility to the overall trajectory, there was no formal agreement on the annual fiscal targets at each level of government. In addition, the lack of annual targets for individual entities undermines the possibility for the High Council of Finance to monitor the compliance with an agreed budgetary trajectory.	• and the coordination of fiscal policies by all levels of government to create room for public investment.	**No Progress.** No agreement has been found between the different entities to coordinate fiscal policies. Flanders investment ambitions have been reflected in the 2020 budget, where an additional investment of EUR 100 million has been budgeted. The Walloon region issued green bonds to finance/refinance projects in favour of the climate and energy transition in the region. However, the planned increase in regional investment is not covered by additional revenues or saving in other expenditure, therefore it is expected to translate in a higher deficits.
	2. Remove disincentives to work and strengthen the effectiveness of active labour market policies, in particular for the low-skilled, people with a migrant background and older workers. Pursue the education and training reforms, including by fostering equity and increasing the proportion of graduates in science, technology, engineering and mathematics. *Split into Sub-CSRs*	**Limited Progress.**	2. Remove disincentives to work and strengthen the effectiveness of active labour market policies, in particular for the low-skilled, older workers and people with a migrant background. Improve the performance and inclusiveness of the education and training systems and address skills mismatches. *Split into Sub-CSRs*	**Limited Progress.**

	• Remove disincentives to work and strengthen the effectiveness of active labour market policies, in particular for the low-skilled, people with a migrant background and older workers.	**<u>Limited Progress.</u>** As of 1st January 2019, the new programme for employment support - AktiF and AktiF Plus - enters into force in the German speaking Community. It consists of financial support to employers who hire people from groups far-away from the labour market (in particular below 26 and 50+). In July 2018 Flanders has reinforced the existing target group policies. A higher reduction of social security contribution is introduced for employers willing to hire people over 60 years old. Employers will also be exempted from employer contributions if they hire people over 55 years old and low skilled youngsters. Support to people with a disability will be increased. The income threshold of the disability premium (VOP) will be lowered to make it more attractive to independent workers and the procedure will be simplified. The reinforced target group policy will enter into force in January 2019. At the same time existing measures will be continued: language training through 'integration through work' (PES), temporary work experience trajectories, activation long term unemployed job seekers (>2years) and trying to reach more NEET youngsters. As of Jan 1st 2019, new rules have entered into force Flanders, regarding, a.o the recruitment and hiring (and financial support) of medium and highly qualified workers from abroad. The main goal is to attract talent from outside the EU in order to fill in recurrent bottleneck professions. At the same time existing procedures have been simplified. Today employers can start a procedure to obtain a work- and residence permit at the same time for a non-EU national who wants to work in Flanders. In 2019 an electronic platform will be developed to further simplify the existing procedures.	• Remove disincentives to work and strengthen the effectiveness of active labour market policies, in particular for the low-skilled, older workers and people with a migrant background.	**<u>Limited Progress.</u>** In 2019, some measures have been implemented with the aim to increase labour market participation. However, most of these measures are part of earlier reforms and are already taken into account in previous assessments. At the federal level, the fall of the Belgian federal government in December 2018 and the ongoing negotiations for the formation of a new federal government since the elections of May 2019, resulted in stand-still of the federal government in current affairs in terms of the development of new initiatives to address the CSR. Some measures that were foreseen in the Jobsdeal, such as the increase in the degressivity of the unemployment benefits or the discussions to revise the system of seniority payments, have been put on hold. At the regional level, several measures have been announced in the 2019-2024 regional coalition agreements, in which all regional governments aim for a substantial increase in their employment rates. However, at this stage it is too early to make an assessment. In Wallonia, a reform is foreseen to increase the effectiveness of the public employment services (PES) by further individualising support to jobseekers. This is aimed to allow the PES to provide a more holistic approach for the most vulnerable jobseekers. In addition, a new employment incentive will be implemented for very long-term (more than 24 months) unemployed. In Flanders, a job bonus for low wage workers will be introduced in 2021 to increase the net return from employment. In addition, reduced tariffs for social services such as child care and public transport will be made income dependent to reduce the financial disincentive to take up low wage employment. Furthermore, access to PES services will be expanded to inactive individuals who are not eligible for unemployment benefits. A strategy to reach these individuals will be developed in the spring of 2020. To increase labour market participation, the potential of long-term ill persons to return to work will be assessed earlier. In Brussels, the government plans to introduce a "solution guarantee",

		In July 2018 the Walloon Government decided on attributing new financial means to the so-called Brasero mechanism, which aims at supporting the creation of cooperatives and social entrepreneurship. In November 2018 the Walloon government has approved the revamping/streamlining of the so-called Airbag mechanism, which aims at supporting the transition towards self-employment as main occupation. The newly adopted measures aim at reducing the delay for assessment/examinations of the dossiers and at simplifying the mechanism both for the workers and for the FOREM (in charge of its implementation). As of Jan 1st 2019, the Tax Shift enters in its last phase, with notably, among others, the reduction of personal social security contributions for the low-wage workers.		which should ensure that every jobseeker is offered a job, a traineeship, a training or a recognition of competences. In addition, Brussels plans to introduce several measures to support the integration of vulnerable jobseekers, including older unemployed (55+) and people with disabilities. The ordinance of 11/16/2017 authorised the Brussels Region's labour inspection service, as of 1/1/2018 and strictly within the Brussels competences, to use practical tests and mystery calls as additional tools to detect discrimination on the Brussels labour market. Until today, no mystery calls have been used yet. In 2018, four practical tests, which did not deliver substantial proof of discrimination, were sent out by post.
	• Pursue the education and training reforms, including by fostering equity and	**Limited Progress** has been made in proposing and adoption of education and training reforms, including for fostering equity, but many important reforms still need implementation. The implementation of the 'Pact for Excellence', the French Community's flagship school reform to improve basic skills, efficiency, governance and tackle inequalities is progressing slowly. The French Community is gradually proposing or adopting decrees for the implementation of the Pact for Excellence, but only a few measures are being implemented so far. From 2019, there will be a gradual increase in the budget for individualised child support to reduce grade repetition and school failure. New quality assurance and school governance measures as well as the recently adopted reform of the initial teachers' education aim to improve educational performance and to reduce inequalities. Nevertheless, major reforms are still pending, such as	• Improve the performance and inclusiveness of the education and training systems	**Limited Progress.** The overall assessment for Belgium is "limited progress" in addressing the 2019 CSR. The detailed assessment for the Communities is the following: Limited progress in the French Community. Some progress has been made in adoption (legal framework for the extended common curriculum) and (partial) implementation of reforms (early childhood education and care, governance of schools, principals and working time of teachers) to improve the performance and inclusiveness of compulsory education (Pact for Excellence in Education) in the French Community, but a sustained continuous and considerable amount of work is still needed to implement the 'Pact for Excellence', the French Community's flagship systemic school reform to improve basic skills, efficiency, governance and tackling inequalities. Elaboration, adoption and implementation of different measures under the different axes of the Pact are still required, including reforming vocational education and training (VET). While some reforms are still being elaborated, no to limited progress was achieved in the other sectors of education and

		the extension of the common multi-disciplinary curriculum to the 9th grade and the new working organisation of teachers. Some decrees improving educational outcomes and reducing inequalities have been adopted: - The decree on remediation and individualised support of pupils was adopted on 10 October 2018. - The decree on the separation of the organizing power from the regulatory power adopted on 6 February 2019 will allow the public schools' network to become autonomous and decentralised as well as the adoption and the implementation of further reforms foreseen in the Pact for Excellence in Education. - The decrees on the 6-year piloting plans of schools with improvement objectives are being gradually implemented over the next few years, as well as the macro governance measures. -Additional support staff (speech therapists) for pre-primary school have been available as of 1 January 2019 and pre-primary school will be free as of 1September 2019. -The decree on the implementation of certification by units in formal Initial Vocational Education and Training (IVET) programmes has been adopted on 13 June 2018 and a pilot is being implemented. The French Community has adopted on 6 February 2019 a reform of the Initial Teachers' Education for elementary and lower secondary education, which will enter into force in 2020. The main thrusts of the reform are: the extension of studies, the harmonization of teacher training at all levels of schooling, the reinforcement of training contents, in particular those giving teachers the means to manage their education. Heterogeneity of classes and to fight against school		training. The reform of the initial teacher training has been postponed by one year to 2021/2022. Some progress was achieved in the Flemish Community, mainly through implementation from September 2019 of measures and reforms agreed under the previous government in all sectors of education. These measures should show some results in the medium to long term, but a significant amount of work is still needed to fully address the CSR. No new measures, except increasing the budget for pre-primary and primary education, have been taken since the May 2019 elections.

		failure, the accentuation of the articulation theory and practice, the development of scientific research in teaching, and the revision of the training of trainers. Additional reforms are under preparation, but have not been adopted and implemented yet: The draft decrees on the work organisation and the workload of teachers, the status of school directors, the missions of the new school inspection and the support to low performing schools are relatively advanced in the legislative process. The government of the French Community has proposed on 19 December 2018 the legal framework for the extended Common curriculum (to be implemented as of school year 2020/2021). Parliament will need to adopt this draft decree. A follow-up draft decree on the educational attainment targets will need to be proposed and adopted before this new common curriculum can be implemented. There has been some progress in the Flemish Community to reduce inequalities, as adopted decrees targeted many education levels. Close monitoring will be needed to ensure that some of the measures mentioned below also have a positive impact on equity. The Flemish Community adopted on 28 March 2018 a decree on the modernisation of secondary school education. It will be implemented as of school year 2019/2020. The decree on the reform of the attainment goals for the first stage of secondary education is expected to be adopted by the Flemish Parliament before the end of the current legislature. The decree on the dual learning system in secondary education was adopted on 21		

		March 2018 and will be fully implemented as of 1 September 2019 onwards. The reform of the pupil guidance in secondary education was implemented as of 1 September 2018. The decree on Higher Vocational Education was adopted by the Flemish Parliament on 4 May 2018 and will be implemented as of academic year 2019/2020. The decree on the reform of Adult Education was adopted on 7 March 2018 and will be implemented as of school year 2019/2020. The adoption of the decree on the Right to enrolment in compulsory education is currently suspended. The decree on the reform of the existing system of training incentives was adopted in October 2018. The decree on the reform of the teaching career is currently being drafted. "Teacher platforms" have already been set up to provide more job security to young starting teachers. On 11 July 2017, the Government of Flanders and social partners reached an agreement on the reform of education and training incentives for adults which will start on 1/9/2019. The goal is to have an integrated training incentive policy with three instruments with a labour market-oriented and forward-looking training focus: Flemish educational leave, training vouchers and Flemish training credit.		
	• increasing the proportion of graduates in science, technology, engineering and mathematics.	**<u>Limited Progress</u>** has been made in pursuing education and training reforms to increase the proportion of STEM graduates. The Flemish Community further pursued the implementation of the STEM action plan 20122020. Two of the five objectives have already been met in 2016. Specific measures advocated by the STEM platform include further development of STEM academies	• and address skills mismatches.	**<u>Limited Progress.</u>** In 2019, some measures have been implemented with the aim to address skills mismatches, including by increasing the number of STEM graduates. However, most of these measures are part of earlier reforms and are already taken into account for in previous assessments. At the federal level, the fall of the Belgian federal government in December 2018 and the ongoing negotia-

		(driven by volunteers) to provide extracurricular initiatives to raise awareness among young people and better structural support and quality promotion through collaboration with other instances, training centres, art academies, and schools with a good STEM infrastructure. As from 2019 onwards, a broad range of initiatives will be taken in collaboration with the Regional Technological Centres of Flanders, CPD's and a broad range of VET schools. The Walloon Government decided on 13 December 2018 to grant a subsidy to the 5 Walloon universities to promote, disseminate and raise awareness of STEM studies and careers. The Digital Wallonia Plan includes measures to grant subsidies to digital projects for schools (Digital Schools) and an awareness campaign to promote STEM, and in particular digital studies for women (Wallonia Wonder Women). Brussels Capital Region has launched a call for proposals for the financing of coding projects targeting compulsory schools. The government of the French Community adopted a Digital Strategy for education (schools) on 10 October 2018 to be gradually implement in the next 5 years. The measure on digital governance will require legislative approval by the next government in 2019.		tions for the formation of a new federal government since the elections of May 2019, resulted in stand-still of the federal government in current affairs in terms of the development of new initiatives to address the CSR. At the regional level, measures have been announced in the 2019-2024 regional coalition agreements, but at this stage it is too early to make an assessment. In Flanders, the Flemish government has announced its intention to introduce an individual learning account and to establish a platform for lifelong learning where the Departments of Work, Education and Economy in co-operation with the social partners will develop a common vision, ambitions and goals. These measures aim to promote a culture of lifelong learning and to stimulate the willingness to learn. They complement the educational database that gives an overview of all training programs for which the Flemish can use educational vouchers. In Brussels, the government plans to attract more participants in trainings by strengthening its policy on the "Poles de formation" and by introducing a "training income", which complements the benefit of the jobseeker with income that is related to the successful completion of the training. Furthermore, Brussels wants to strengthen language competences in cooperation with the other Communities. In all regions, the recognition of skills is high on the policy agenda. The French-speaking community has implemented new measures to support Up-skilling Pathways, including an online tool for validation, partnerships with key operators to support the mutual recognition of learning outcomes, and fostered access to the first certifying pathways. In Flanders, measures include the development of a validation instrument and the creation of a register of all the centres that perform validation.
	3. Reduce the regulatory and administrative burden to incentivise entrepreneurship and increase competition in services, particularly retail, construction	**Limited Progress.**	3. Focus investment-related economic policy on sustainable transport, including upgrading rail infrastructure, the low carbon and energy transition and research and	**Limited Progress.**

	and professional services. Tackle the growing mobility challenges, in particular through investment in new or existing transport infrastructure and reinforcing incentives to use collective and low-emission transport. *Split into Sub-CSRs*		innovation, in particular in digitalisation, taking into account regional disparities. Tackle the growing mobility challenges, by reinforcing incentives and removing barriers to increase the supply and demand of collective and low emission transport. *Split into Sub-CSRs*	
	• Reduce the regulatory and administrative burden to incentivise entrepreneurship and	**Limited Progress** has been made on the reduction of administrative burden to incentivise entrepreneurship. -The reform of the company law code will reduce the number of companies from 17 to 4, remove minimal company requirements for setting up a company, abolish the unlimited liability of administrators and allow e-mail to replace registered letters. - Flanders has adopted a decree on 18 May abolishing the legal provisions on basic knowledge of business management. - Flanders has integrated the retail license in the environmental permit. - The implementation of the 2017 reform to simplify the corporate tax system has continued. The statutory tax rate has been lowered from 33.99% to 29.58% in 2018. The reform also introduced amendments to ease taxation on startups and small companies. However, some inefficient tax expenditures remain in place such as the company car scheme (cf. infra). The regionalisation of some taxes may add complexity to the tax system. Digitisation of public services is still fragmented and progressing slowly in spite of a number of innovative initiatives at regional and local level. Digitalisation of the justice system is advancing slowly. The e-Deposit system allow-	• Focus investment-related economic policy on sustainable transport, including upgrading rail infrastructure,	**Some Progress.** Some progress has been made on investment-related economic policy on sustainable transport, including upgrading rail infrastructure. At federal level, major investment in the RER-GEN regional express train network around Brussels will continue until 2031, as well as the implementation of the European Rail Traffic Management Signalling System, connection to ports and new upgraded cross-border rail infrastructure projects. The three regions, in particular Brussels, have designed and launched multiannual transport infrastructure investment plans. The updated version of the Brussels multi-year public transport investment plan was updated and will involve €6 billion for the 2015-2028 period. The draft Brussels Sustainable Urban Mobility Plan was adopted in April 2019 and has been submitted for public enquiry till October 2019. In Wallonia, the mobility and infrastructure plan for investment in cycle path, water transport and increasing the quality and security of the existing road network was adopted in April 2019. In Flanders, the Flemish transport administration committed to invest €600 million in improving the traffic flow, and in cycling and water borne transport. Meanwhile though, Belgium still scores poorly in terms of road infrastructure.

		ing for a digital submission of court documents is still being implemented. The e-Box network is also still under implementation by courts. The establishment of a national register for interpreters, translators and court experts is still under implementation. The digital platform Regsol for the handling of insolvency proceedings is still under implementation. The migration of the civil register to a digital environment has been announced for March 2019. The establishment of a central platform for the extra-judicial collection of unchallenged monetary claims for the business-to-business environment is still being implemented.		
	• increase competition in services, particularly retail, construction and professional services.	**<u>Limited Progress</u>** has been made to increase competition in services, particularly retail, construction and professional services: - Brussels has adopted a reform of the Code Bruxellois de l'Aménagement du Territoire (CoBAT) to facilitate retail establishment - Flanders has integrated the retail license in the environmental permit. - Flanders has adopted a decree to abolish the qualifications for eleven construction-related professions. - A Royal Decree has been adopted to adapt rules on activities that can be performed together with the profession of accountant has been adopted in August 2018.	• the low carbon and energy transition	**<u>Limited Progress.</u>** Belgium has made limited progress in implementing policies and measures in support of investment-related economic policy on the low carbon and energy transition. Latest 2018 verified greenhouse gas inventories data show a slight increase in emissions in comparison to the previous year. This contrasts with the high levels of ambition put forward for the medium term and the commitment to the Paris agreement. The energy efficiency and renewable energy targets in the final national energy and climate plan notified in December 2019 are below those that were included in the draft version of the plan the year before and show a low level of ambition. The law introducing a competitive tendering for the construction and operation of production facilities creates a legal framework for tendering new windfarms. Significant offshore wind capacity is in development in the Belgian North Sea. Brussels is investing in photovoltaic systems in public buildings in the frame of the Solarclick programme, which will run till end 2020. Belgium also ranks low in the energy performance of buildings, and in spite of some proactive policies, the renovation of buildings is moving slowly. Brussels has adopted its long-term renovation strategy in April 2019. Belgium committed to fully phasing out nuclear energy by 2025, which

				will cause a major change in the present generation capacity mix: at the same time discussions continue on whether to further extend the operation of a limited number of nuclear power plants beyond 2025, which does not contribute to a more predictable energy investment environment.
	• Tackle the growing mobility challenges, in particular through investment in new or existing transport infrastructure	**<u>Some Progress</u>** was made to tackle investment in existing transport infrastructure. In January 2019, Regions have agreed to a multi-annual 60/40 allocation key for the Regional ExpressNet. The Brussels Regional Government has approved and is carrying out a multiannual investment programme for the renovation of its tunnels, bridges and viaducts worth over 1 billion euros for the coming 10 years. In addition, the Brussels Regional Government has approved a multiannual investment programme for public transport that is currently being carried out. The plan runs from 2015 until 2025 and foresees 5.2 billion euros of investments in new metro lines, tram lines and a greener bus fleet. An agreement for additional funding for the regional ExpressNet project was reached at the end of 2018. The agreement has been approved by the Federal Parliament and is waiting for approval by the Regional Parliaments.	• and research and innovation, in particular in digitalisation, taking into account regional disparities.	**<u>Limited Progress.</u>** Limited progress has been made on research and innovation, in particular on digitalisation, taking into account regional disparities. Research and development (R&D) expenditures in the private sector is relatively high, although it is concentrated in a few multinational companies. Despite an increase in public R&D intensity from 2007 to 2018, it remains below the increase in public R&D intensity in most Member States with a similar level of economic development. The R&D investment could be more widespread towards smaller firms. The efficiency of the R&D public schemes could be improved as these schemes are not based on 'additionality' principle, in terms of net job creation, new investment or extra earnings from innovation. The R&D governance system is complicated with multiple governments at federal, regional and community level responsible for (parts) of research and innovation (R&I) policy. Cooperation and coordination exist mainly at operational level regarding national issues. The shortage of highly skilled professionals, in particular in sciences, engineering and math, and the lack of "knowledge entrepreneur" hampers Belgian growth prospects. Finally, regions are conducting R&D programmes to support the low-carbon transition. In terms of digitalisation, a policy framework with financing measures for promoting the uptake and deployment of Artificial Intelligence have been put in place in Flanders and Wallonia and a similar initiative was put in place in Flanders with regard to cybersecurity. Coordinated efforts between the federal level, the Regions and the Communities are needed to roll out 5G and Belgium risks lagging behind in 5G deployment.

	• and reinforcing incentives to use collective and low-emission transport.	**Limited Progress.** Belgium is still a country where the use of company cars for commuting is heavily incentivised, whereas the connectivity with collective public transport, in particular between the centre of Brussels and its outskirts is deficient. As to low-emission transport, the use of alternative fuels in new passenger cars sold in Belgium has been increasing very dynamically over the past four years. The different Belgian regions each apply their own set of support measures, potentially leading to market fragmentation, but all put emphasis on encouraging the uptake of electric vehicles. The Federal Government grants a tax credit of 30 % on the purchase of an electric vehicle.	• Tackle the growing mobility challenges, by reinforcing incentives and removing barriers to increase the supply and demand of collective and low emission transport.	**Limited Progress.** Despite some additional policies and measures foreseen in the final National Energy Climate Plan, so far limited progress has been made to tackle the growing mobility challenges, by reinforcing incentives and removing barriers to increase the supply and demand of collective and low emission transport. In Flanders, the government has lifted the exclusive monopoly of De Lijn on intercity coach services. Environmental taxes have increased, but there is still scope for better aligning taxation to carbon emissions, possibly also increasing tax revenues. Road users pay around 43% (passenger) and 27% (freight) of their external and variable infrastructure costs. In Flanders, the decree on "Basic Accessibility" was adopted by the Flemish Parliament in April 2019, but the implementation of proposed measures has been postponed till December 2021. Alternative tax expenditures (so-called 'cash-for-car' and 'mobility budget') were introduced in 2018 and 2019 respectively. However, recent data from the National Social Security Office suggest that very few taxpayers opted for the cash for car system, which was finally annulled by the Constitutional Court. The favourable company car scheme continues to provide adverse incentives that run counter tackling greenhouse gas emissions. Professional transporters and agriculture still benefit from a reduced excise rate on diesel. Deductibility of fuel costs ('fuel card') continues. High registration rights for immovable properties discourage commuters to move closer to their place of employment. Barriers to the supply of domestic rail services remain as 98.2% of all services are provided under public service obligation (pso) through a directly awarded contract rather than through competitive tendering.
			4. Reduce the regulatory and administrative burden to incentivise entrepreneurship and remove barriers to competition in services, particularly telecommunication, retail and professional services.	**No Progress.**

			Split into Sub-CSRs	
			• Reduce the regulatory and administrative burden to incentivise entrepreneurship	**<u>Limited Progress.</u>** Limited progress has been made on reducing the regulatory and administrative burden to incentivise entrepreneurship. Belgium has introduced services for digital identification (itsme) or to facilitate business to government transactions (Mercurius). Belgium has launched initiatives to promote e-prescriptions, medical data exchange and digital interactions with public administrations. In Brussels, the recent reform of the Code on Land Use (CoBAT) has tightened the deadlines for the administration to respond to building permit requests, while in Flanders the digitalisation of building permits is on-going. Wallonia has introduced a SME voucher system. However, taxation remains complex for financial investments and property registration continues to be costly and long. Digitalisation of justice still requires additional action. The coordination of climate, energy, digital and transport policies is still a problem. Key enforcers in regulation, market surveillance or competition are still understaffed. Impact assessments are not integrated in the policy-making. The Belgian State's slow payments to businesses deteriorated compared to the previous year and is a liability to its business environment. A draft ordinance guaranteeing the application of the 'once only' principle in the collection by all regional and local administrations through the regional service integrator (Fidus) was adopted in third and last reading by the Government in December 2019. In Wallonia, the timeframe for obtaining was reduced by the reform of the land use code.
			• and remove barriers to competition in services, particularly telecommunication, retail and professional services.	**<u>Limited Progress.</u>** Limited progress has been made in removing barriers to competition in services, particularly telecommunication, retail and professional services. On 2 May 2019, Belgium replaced the Code of economic law in the area of competition law, with the intent to improve compliance with competition law and the functioning of the Belgian Competition Authority. The new

				rules do not foresee a strengthening of the staff or material means of the authority.

BG	2018 CSRs SGP: - MIP: CSR 2, 3	Assessment of implementation of 2018 CSRs February 2019	2019 CSRs SGP: - MIP: CSR 2	Assessment of implementation of 2019 CSRs February 2020
	1. Improve tax collection and the efficiency of public spending, including by stepping up enforcement of measures to reduce the extent of the informal economy. Upgrade the State owned enterprise corporate governance framework in line with international good practices. *Split into Sub-CSRs*	**Some Progress.**	1. Improve tax collection through targeted measures in areas such as fuel and labour taxes. Upgrade the State-owned enterprise corporate governance by adopting and putting into effect the forthcoming legislation. *Split into Sub-CSRs*	**Substantial Progress.**
	• Improve the efficiency of tax collection	**Some Progress.** In 2018, Bulgaria has put in place a number of measures to tackle the shadow economy and improve tax collection. Many of those measures were implemented in the framework of "The Single National Strategy for improving tax collection, tackling shadow economy and reducing compliance costs". These measures have brought some positive results in the form of higher revenue. A particularly successful measure was the checks of declared cash by the companies (bringing in additional BGN 108.3 million, a 55.6% increase year-over-year), which encouraged many of the companies with excess cash to amend their financial results or declare dividend payments. In addition, the introduction of tax controls on the movement of high-risk goods has brought higher direct and indirect tax revenue from companies in these sectors.	• Improve tax collection through targeted measures in areas such as fuel and labour taxes.	**Some Progress.** Overall, Bulgaria has seen some improvements in tax collection and tax compliance, particularly in the context of labour and fuel taxes. Labour tax revenues have been growing at a higher rate than the tax base (compensation of employees) in both 2017 (by 3 p.p.) and in 2018 (by 1.6 p.p.). Secondly, the amount of undeclared fuel has been decreasing, by about 14% (about 1 million litres) from 2018 to mid-2019. Current lack of plans for a future national strategy to improve tax compliance is a reason for concern, with the National Revenue Agency's strategic priorities being relatively vague ("voluntary compliance, fighting tax fraud, collection of tax liabilities, a continuation of risk-based planning) and may overly rely on soft measures resulting in increased voluntary compliance.
	• and public spending	**Some Progress.** The government has made steps to improve public expenditure efficiency. In 2018, the World Bank completed a spending review in a number of public insti-		

		tutions (ministries and municipalities), published two pilot studies and delivered to the authorities a manual for future reviews. No follow-up measures or additional spending reviews have been announced as yet. The government also updated and stabilised the set of performance indicators per policy area in the medium term fiscal strategy. The Ministry of Finance is planning to use this stable set of indicators to assess the impact of public spending and to inform the budget evaluation and planning in the medium term.		
	• including by stepping up enforcement of measures to reduce the extent of the informal economy.	**<u>Some Progress.</u>** To fight undeclared work, the authorities implemented measures such as one-day flexible contracts in agriculture and the exclusion of companies convicted for undeclared work (in the last three years) from public procurement. The General Labour Inspectorate has signed an agreement with the trade unions to jointly fight undeclared work. At the same time, the National Revenue Agency (NRA) applies a number of measures to improve compliance and collection in high-risk sectors, including undeclared work risk. Another positive element in 2018 is the launch of an information campaign "Salary in an Envelope" by the National Revenue Agency. The campaign primary aim is to demonstrate to the citizens the amount of the losses they are experiencing from this practice in the long run, including a dedicated webpage in which they can estimate the actual losses in their future pension, among other harmful consequences.		
	• Upgrade the State owned enterprise corporate governance framework in line with international good practices.	**<u>Limited Progress.</u>** There is not yet any change in the state-owned enterprises corporate governance framework but its reform has been planned. The government put in place a project to (i) review and assess the legal, regulatory and operational frame-	• Upgrade the State-owned enterprise corporate governance by adopting and putting into effect the forthcoming legislation.	**<u>Substantial Progress.</u>** A major reform of SOEs corporate governance framework is ongoing. It included the adoption of a law overhauling the framework and the principles for SOEs corporate governance. The reform will only be completed when the implementing acts of the law are prepared and put into effect. The new law prescribes

		work of State-owned enterprises and (ii) revise and align legislation with OECD guidelines on corporate governance of State-owned enterprises. The initiative is part of the action plan of the government in view of the envisaged application for participation in the ERMII. A technical assistance project with the European Commission and the OECD was launched in August 2018. The adoption of the new framework is expected by July 2019.		the next steps and the timeline for the completion of the reform.
	2. Take follow-up measures resulting from the financial sector reviews and implement the supervisory action plans in order to strengthen the oversight and stability of the sector. Ensure adequate valuation of assets, including bank collateral, by enhancing the appraisal and audit processes. Complete the reform of the insolvency framework and promote a functioning secondary market for non-performing loans. *Split into Sub-CSRs*	**Some Progress.**	2. Ensure the stability of the banking sector by reinforcing supervision, promoting adequate valuation of assets, including bank collateral, and promoting a functioning secondary market for non-performing loans. Ensure effective supervision and the enforcement of the AML framework. Strengthen the non-banking financial sector by effectively enforcing risk-based supervision, the recently adopted valuation guidelines and group-level supervision. Implement the forthcoming roadmap tackling the gaps identified in the insolvency framework. Foster the stability of the car insurance sector by addressing market challenges and remaining structural weaknesses. *Split into Sub-CSRs*	**Some Progress.**
	• Take follow-up measures resulting from the financial sector reviews	**<u>Substantial Progress.</u>** Most recommendations of the 2016 asset quality review of the banking sector have been addressed, leaving one important outstanding action. Insurance companies' solvency has improved since the completion of the sector's reviews. According to the Financial Supervision Commission, all recommendations of the independent balance sheet reviews of insurance	• Ensure the stability of the banking sector by reinforcing supervision,	**<u>Substantial Progress.</u>** The Bulgarian National Bank (BNB) observes the implementation of the guidelines, recommendations and other measures approved by the European Banking Authority (EBA) with regard to the convergence of supervisory practices throughout the EU. During the reporting period, the BNB approved decisions for the application of a number of EBA guidelines.

		companies and pension funds were fully implemented by April 2017. At the end of 2017, all but one insurer satisfied Solvency Capital Requirements, without the application of Long-Term Guarantee and transitional measures. However, some insurers' solvency ratios are close to 100%, which could indicate potential weaknesses that should be closely monitored. In 2017, the Financial Supervision Commission withdrew the licences of two insurers for a number of reasons, including the failure to comply with capital requirements. Both companies have appealed this sanction. The decision is still pending before the administrative higher court. Group-level supervision remains a challenge for an adequate risk-based insurance supervision. The group-level assessment of two insurance groups was never completed. While in one case group supervision is no longer applicable due to restructuring, in the other case the Supreme Administrative Court revoked the decision of the authority for identification of the group. The authorities' approach following the court's decision will still have to take into account the requirements under the transposed Solvency II Directive stipulating that group level supervision is to be applied at the ultimate parent level. The supervision of the car insurance sector is being strengthened. The authorities started in November 2017 to automatically match information from car registration databases with motor third-party liability contracts, to combat fraud. The Financial Supervision Commission has taken further measures to ensure that victims of car accidents receive the proper compensation, in particular in cases of cancelled insurance contracts, and that all Bulgarian insurers have a network of claims representatives in all EU Member States, as		

		required in the Motor Insurance Directive. As expected under the Action Plan 2017, the Financial Supervision Commission has published a report on the level of motor third party liability premiums. Nevertheless, significant challenges regarding the business model and business strategy of market participants remain a concern, with potential spill overs beyond the sector itself.		
	• and implement the supervisory action plans in order to strengthen the oversight and stability of the sector.	**Some Progress.** Delayed actions for improving banking supervision from the 2015 plan are being completed. The Financial Supervision Commission adopted an Action Plan for reforming non-bank financial supervision in September 2017, in cooperation with the European Insurance and Occupational Pensions Authority. Implementation is on-going. The actions towards a proper risk-based forward-looking supervisory process already delivered some outputs, like a supervisory manual and risk matrices. These are useful and necessary tools, but the full implementation of an action plan to establish such a risk-based forward-looking supervisory process remains key, and only time will show to what extent new rules are effectively enforced and whether supervision has really improved in practice. The failure of Olympic, issues with group-level supervision, the frequency at which the supervisor's decisions are overturned by the courts and the worsened problems of the Green Card Bureau show that insurance supervision still faces some real challenges. In the area of pension funds, amendments to the Social Insurance Code were adopted by the parliament in November 2017. They include a broader definition of related parties, in line with international standards. As the law previews a 12 months implementation delay, the changes need to be duly enforced	• promoting adequate valuation of assets, including bank collateral	**Some Progress.** Despite efforts and progress, a range of hard-to-value assets, such as real estate collateral still exist in the balance sheets of banks. Conditions for harmonisation in valuation practices have been put in place since June 2018, when national standards became mandatory for external independent collateral valuers, in accordance with the Independent Valuers Act.

		and their effectiveness monitored. In addition, the Financial Supervision Commission was strengthened by legislative amendments introduced in 2017, which provided it with sufficient funding and staff and expanded its supervisory capacity. A proper risk assessment framework, currently under development, should support the improved supervision capacity. The head of Insurance Supervision in the Financial Supervision Commission resigned in August 2018, as a consequence of the failure of Olympic Insurance. Despite announced plans to designate a successor, no formal steps have been taken so far. Furthermore, the announced change in the Financial Supervision Commission chair in March 2019 could generate further uncertainty, in particular given the ambitious scope of the planned reforms. It is important in both cases to ensure the timely appointment of professionals who duly fulfil fit-and-proper requirements.		
	• Ensure adequate valuation of assets, including bank collateral, by enhancing the appraisal and audit processes	**Some Progress.** Issues with the valuation of collateral limit the incentives of banks to dispose of non-performing loans. A range of hard-to-value assets still exist, notably related to immovable property. Examples include real-estate collateral in the banking sector, receivables and real estate holdings in the insurance sector, and stocks, bonds, real estate and other financial instruments in the pension funds sector. In addition, the uneven quality of auditing affects the valuation of illiquid instruments traded on stock exchanges, as well as non-traded assets, including receivables, minority equity stakes and subsidiaries. For real-estate valuations, auditors rely on locally-licensed appraisers. Despite the advantage of local expertise, valuation standards differ and the licensing system is not sufficiently tight. In the ab-	• and promoting a functioning secondary market for non-performing loans.	**Some Progress.** The secondary market for NPLs has become more dynamic, notably for retail loans, with some improvement in the NFC segment as well. Ample liquidity is generating demand for NPL portfolios and collateral sales, with large international companies also having entered the market.

		sence of a mandatory standardised methodology, commercial banks have the discretion to use different valuation frameworks, which may create considerable discrepancies. Some issues related to valuation in the non-banking financial sector require further monitoring. According to the Financial Supervision Commission, auditors have not identified any particular problem with the clean-cut reinsurance contracts. However, concerns regarding their supervisory treatment remain to be addressed. The on-going on-site inspections are also expected to allow further assessment by the Financial Supervision Commission. The issue of hard-to-value assets, including traded securities with low liquidity and low free float, as well as non-traded assets, has been identified in the reviews of both the banking and non-bank financial sectors but has not yet been fully addressed. Amendments to secondary legislation could be followed by changes to the rules governing the work of valuation practitioners to improve the application of valuation rules. Amendments to Ordinance 9 of the Financial Supervision Commission, concerning the valuation of the assets and liabilities of the pension funds, entered into force on 19 November 2018.		
	• Complete the reform of the insolvency framework	**Limited Progress.** Reform of the insolvency framework is still incomplete, with important legislative elements missing. The pre-insolvency restructuring procedure entered into force on 1 July 2017, but so far its take-up has been weak. The new framework could benefit from further streamlining and less complexity, inter alia by encouraging out-ofcourt settlements, less court involvement and administration and lower thresholds when voting on adoption of restructuring plans. On the positive note, Bulgaria	• Ensure effective supervision and the enforcement of the AML framework.	**Limited Progress.** Bulgaria achieved some progress in the legislative framework. At the end of November 2019, the National Parliament adopted the law aiming to amend the Anti-Money Laundering Act transposing Directive (EU)2018/843 (AMLD 5), as well as the remaining issues of (EU) 2015/849 to prevent the use of the financial system for the purpose of money laundering and terrorist financing (AMLD 4). The national risk assessment was completed in January 2020 and highlights a number of significant threats. The use of financial intelligence remains insufficient and the risk-based approach to supervision has yet to

		asked for assistance to progress on the reform of the insolvency framework in 2018. This project will put forth a roadmap addressing the identified gaps.		be implemented. Investigation of corruption cases has increased, but final conviction remains very limited.
	• and promote a functioning secondary market for non-performing loans.	**Limited Progress.** The overall ratio of non-performing loans declined to 9.2% in June 2018, from 12.1% a year earlier. Non-performing loans by non-financial corporations also decreased, but still topped 15.4% of total loans and advances (19.9% a year earlier). These levels are well above the EU averages in June 2018. Progress with restructuring has been slow.	• Strengthen the non-banking financial sector by effectively enforcing risk-based supervision,	**Substantial Progress.** Supervision has been enhanced in several respects. The risk-based supervision guidelines in the insurance and pension insurance sectors became applicable as of 1 January 2019. The new rules may be reviewed in 2020 based on experience and new data available. Further enhancements to the new approach may be necessary following additional tests to reap the full benefits of the measure.
			• the recently adopted valuation guidelines	**Some Progress.** The regulatory framework has improved. The government adopted important amendments to two regulations in the field of insurance and pension insurance: Ordinance 53 on the requirements for accountability, valuation of assets and liabilities and formation of technical reserves of insurers, reinsurers and the Guarantee Fund and Ordinance 9 laying down detailed rules for valuation of the assets and liabilities of the supplementary pension funds and the pension insurance company. Notwithstanding the progress achieved, tackling remaining weaknesses in valuation practices is necessary, in particular regarding the adequacy of technical provisions in the Motor Third Party Liability Insurance and the ongoing appropriateness of the valuation of non-listed assets.
			• and group-level supervision.	**Some Progress.** Group-level supervision might become an issue for one particular insurance group, depending on the outcome of the restructuring process. The Financial Supervision Commission, the European Insurance and Occupational Pensions Authority (EIOPA) and a particular insurance group have sought an agreement on the kind of group-level supervision that should apply to that entity. This group is currently taking steps to acquire a major company active outside the non banking sector and may undergo restructuring. If this process is completed successfully, a new procedure of identification of the group will start,

				which will result in the group being identified either as an insurance holding company (which involves full group supervision) or a mixed holding company (which involves a more limited supervision).
			• Implement the forthcoming roadmap tackling the gaps identified in the insolvency framework.	**Limited Progress.** The government adopted the insolvency framework roadmap on 19 June 2019 and established a dedicated steering body, the so-called 'Coordinating Council', which will be in charge of the overall management and coordination of the roadmap's implementation. Efforts to implement the insolvency framework roadmap have already started. The Ministry of Justice has set up an interagency working group to draft the necessary legislative amendments by the end of June 2020. This group will have a wide stakeholder participation with representatives of the government, the judiciary, law professionals and the academia. However, more still needs to be done.
			• Foster the stability of the car insurance sector by addressing market challenges and remaining structural weaknesses.	**Limited Progress.** Motor third-party liability (MTPL) still warrants attention. MTPL represents a high share in the portfolio of all the Bulgarian insurers. Its profitability has remained insufficient for a long time due to a strong price competition in the sector. After insurance premia increased substantially in 2018, the financial results of the MTPL line of business have strengthened. The solvency of some players relies on the validity of the assumptions underlying the valuation of their assets and liabilities. There are still weaknesses and areas of particular risk currently identified in the non-banking sector, including the effectiveness of the system of governance and application of the prudent person principle, for which sustainable corrections need to be ensured. The government planned to amend by 31 December 2019 the legislation on the implementation of the bonus-malus' system, in line with the results of the public consultation, but the deadline has been missed. The government planned to adopt by 31 December 2019 an ordinance on the approval of a methodology for determining the amount of compensation for material

				and non-material damage sustained as a result of bodily injury to the injured person and for determining the amount of the compensation for material and non-material damage of the injured person as a result of the death of a victim. However, the deadline has been missed. The Bulgarian Green Card Bureau is still under monitoring and the sectoral reinsurance cover is yet to be underwritten.
	3. Increase the employability of disadvantaged groups by upskilling and strengthening activation measures. Improve the provision of quality inclusive mainstream education, particularly for Roma and other disadvantaged groups. In line with the National Health Strategy and its action plan, improve access to health services, including by reducing out-of-pocket payments and addressing shortages of health professionals. Introduce a regular and transparent revision scheme for the minimum income and improve its coverage and adequacy. *Split into Sub-CSRs*	**Limited Progress.**	4. Strengthen employability by reinforcing skills, including digital skills. Improve the quality, labour market relevance, and inclusiveness of education and training, in particular for Roma and other disadvantaged groups. Address social inclusion through improved access to integrated employment and social services and more effective minimum income support. Improve access to health services, including by reducing out-of-pocket payments and addressing shortages of health professionals. *Split into Sub-CSRs*	**Limited Progress.**
	• Increase the employability of disadvantaged groups by upskilling and strengthening activation measures.	**<u>Some Progress.</u>** Several measures are being implemented supporting disadvantaged groups to access the labour market, including training, supervised internships and incentives to employers to hire them after their training. Other measures encourage entrepreneurship among young people for starting their own business. Mediation services have been broadened and Job Integration Agreements (JIA) have been introduced during 2018 for long-term unemployed. Overall, however, participation in active labour market policies (ALMP) remains low	• Strengthen employability by reinforcing skills, including digital skills.	**<u>Some Progress.</u>** Sustained efforts to increase skills of jobseekers, such as trainings, traineeships, apprenticeships and dual VET have shown positive results. Operations were implemented at national and local level in 2019 to improve employability of vulnerable groups. There are ongoing measures to improve the labour market relevance of VET and higher education, although their impact is still limited.

		and the training component of these policies could be strengthened. Further developing vocational education and training could improve the impact and sustainability of activation measures.		
	• Improve the provision of quality inclusive mainstream education, particularly for Roma and other disadvantaged groups.	**Some Progress** was made in improving the provision of quality inclusive mainstream education, but a significant amount of work is still needed. A few measures have been implemented such as the inter-institutional mechanism to identify out-of-school children and return them to school, support for students to overcome learning gaps, several measures aiming to improve digital skills, increasing teachers' salaries and retraining teachers, as well as reforming funding standards to allocate additional funding to disadvantaged schools and kindergartens. However, improvements in educational outcomes have not been recorded yet and efforts to improve the situation of students from the most vulnerable groups and Roma are lagging behind.	• Improve the quality, labour market relevance, and inclusiveness of education and training, in particular for Roma and other disadvantaged groups.	**Limited Progress.** There has been limited progress in the area of education and training, as the challenges of quality and inclusion, in particular for Roma, remain. The impact of the measures taken to tackle any of those is yet to be seen. There are measures undertaken to improve the labour market relevance of education, but their impact is mitigated.
	• In line with the National Health Strategy and its action plan, improve access to health services, including by reducing out-of-pocket payments and addressing shortages of health professionals.	**Limited Progress.** The implementation of the National Health Strategy action plan is considerably delayed. In 2018, some progress was achieved in improving access to disease prevention medicines and outpatient programmes. The 2014-2020 ERDF investment in a network of emergency health care, planned in the National Health Strategy, started as late as end of 2018.	• Address social inclusion through improved access to integrated employment and social services	**Limited Progress.** Bulgaria planned to improve the provision of social services with the new law adopted in March 2019, but its entry into force is delayed to the second half of 2020, however, there is no implementation and the timeframe could be further extended.
	• Introduce a regular and transparent revision scheme for the minimum income and improve its coverage and adequacy.	**Limited Progress.** While no regular and transparent revision mechanism has been proposed for the minimum income (MI) the number of supported persons has increased according to administrative data of the authorities. The minimum income remains too low to have an impact on the number of people living in poverty or on income inequality. In 2018 the guaranteed minimum	• and more effective minimum income support.	**Some Progress.** Measures have been taken to improve the adequacy and coverage of the heating allowance as part of the minimum income support. In particular, the modification of the access criteria and the increase by 24.5% of the allowance to a 21% increase of the number of recipients compared to 2018.

		income (GMI) was increased by 15% - from BGN 65 to 75 (EUR 5). However, the minimum income is still among the least adequate in the EU and significantly below the at-risk-of-poverty threshold (EUR 180 in 2018). Despite the measures that have been taken – social assistance for heating is being granted on the current place of residence, making it more flexible and accessible, the amount of the heating benefits for the next heating season is adjusted to the electricity prices, the mechanism for compensation of pensions' increase is being updated so that the pensioners who receive heating benefits could not drop out due to the pensions' increase – the coverage and adequacy of social benefits remain low and an objective mechanism for their regular updates is still lacking.		
			• Improve access to health services, including by reducing out-of-pocket payments and addressing shortages of health professionals.	**Limited Progress.** Majority of measures to address problems with access to health care including out-of-pocket payments and shortages of health professionals are either in drafting stage or in process of adoption.
			3. Focus investment-related economic policy on research and innovation, transport, in particular on its sustainability, water, waste and energy infrastructure and energy efficiency, taking into account regional disparities, and improving the business environment. *Split into Sub-CSRs*	**Limited Progress.**
			• Focus investment-related economic policy on research and innovation,	**Limited Progress.** R&D spending remains very low both in the public and in private sectors. Bulgaria has the fifth lowest R&D intensity level in the EU: 0.75% of GDP in 2018, with a very small increase from 0.74% of GDP in 2017. The extremely low public R&D intensity (0.21% of GDP in 2018, the third lowest in the EU) is particularly concerning, and it

				has been on a mostly decreasing trajectory since 2000. This hinders the required capacity building, as research infrastructure is outdated and the very low wages act as deterrents to attracting and retaining young talent. While the business R&D intensity increased between 2009 and 2014, it is now also on a decreasing path (0.54% of GDP in 2018, from a peak of 0.70% in 2015).
			• transport, in particular on its sustainability,	**Limited Progress.** The quality of road infrastructure has been increasing slightly over the last years, following significant investments supported by the European Structural and Investment Funds. The on-going construction of a national motorway demonstrates good intentions to modernise but is still slow. On infrastructure, efforts are needed on railway infrastructure fluidity, without segmentation of modernized and non-modernized parts and on development of further internal railway network interconnecting strategic points while developing a network of multimodal platforms for transit and for country purposes. The penetration rate of alternative-fuelled passenger cars is still relatively low compared to the top performers in the EU. In road, rail and inland waterways transport, external costs related to accidents, environment (air pollution, climate change, energy production, noise, habitat damage) are about 7 billion EUR annually, which corresponds to 6,5% of Bulgaria's GDP. Road users generate almost 98% of such costs. While road users pay 97% of revenues in transport, the taxes and charges paid by them do not cover the total transport generated costs as they cover 66% and 46% of the total external and infrastructure costs for passenger and freight respectively. Transport modes as rail, aviation and waterborne at the moment have a very limited contribution to the transport revenues which puts in question the sustainability of transport.
			• water, waste and energy infrastructure and energy efficiency, taking into account regional disparities,	**Limited Progress.** Water - limited progress: limited implementation on the ground; Bulgaria is still far from achieving compliance with the drinking water and urban waste water treatment directives. Waste

				- some progress: some progress in closure and rehabilitation of non-compliant landfills. Implemented and on-going waste infrastructure projects financed under different programmes, including but not limited to EU funds, are with limited magnitude; many projects still remain to be implemented in the future. Investments in research and development (R&D) in low-carbon technologies are rather low but increasing. Investments are driven primarily by the private sector. A key role in the development and deployment of low-carbon technologies is played by the Innovation Strategy for Smart Specialisation 2021-2027, which is currently being updated. Very limited progress was made towards reaching the 2020 indicative national target for energy efficiency. In 2018 Bulgaria's final energy consumption increased slightly compared to 2017, remaining above the linear trajectory by 11 pp. Similarly, in 2018 Bulgaria did not reduce its primary energy consumption sufficiently to stay below the linear trajectory. There are outstanding compliance issues with the legal requirements and the current legal framework provides insufficient incentives for the obliged parties to invest more in energy savings. Huge energy saving and carbon reducing potential yet to be unlocked by targeted measures in the industrial, transportation, and residential sectors - in 2018 the highest energy consumption was in the transport sector (34%), followed by industry (28%) and households (24%). Serious social challenges are interlinked with the process of effective energy transformation, such as job losses and falling life quality standards. To facilitate a just transition towards a low-carbon economy from a macroeconomic and socio-economic perspective, significant investments in the fields of climate and energy are required. Transformation measures have not yet been considered. In October 2019, the government indicated that a debate with stakeholders has been initiated on the possibility to join the EC platform "Coal Regions in Transition", which, if and

				when realized, could help with identifying priority projects, measures, and investments. Investment-related economic policy on energy infrastructure: Substantial progress in gas (construction works on IGB interconnector + reinforcing and modernisation of internal high-pressure grid + improved functioning of the wholesale market through the setting up of a gas hub + PCI projects + Council of Minsters Decision to acquire a stake of the LNG facility in Northern Greece); Some progress in electricity (capacity increase of internal lines + interconnectors + improved functioning of the wholesale market through intra-day coupling) Investment-related economic policy on energy efficiency: Limited progress. R&D investment in low carbon technologies below 1% with private R&D increasing while public R&D remain the lowest in the EU, well below 0.4% of GDP. Limited progress towards reaching the 2020 indicative national target for energy efficiency.
			• and improving the business environment.	**<u>Some Progress.</u>** Bulgaria is implementing measures in order to improve the business environment and to remove the existing obstacles to investment, however, they have not led to significant improvements so far.

CZ	2018 CSRs SGP: - MIP: -	Assessment of implementation of 2018 CSRs February 2019	2019 CSRs SGP: - MIP: -	Assessment of implementation of 2019 CSRs February 2020
	1. Improve the long-term fiscal sustainability, in particular of the pension system. Address weaknesses in public procurement practices, in particular by enabling more quality-based competition and by implementing anti-corruption measures. *Split into Sub-CSRs*	**Limited Progress.**	1. Improve long-term fiscal sustainability of the pension and health-care systems. Adopt pending anti-corruption measures. *Split into Sub-CSRs*	**Limited Progress.**
	• Improve the long-term fiscal sustainability, in particular of the pension system.	**No Progress.** Recent measures increase pension adequacy but are not coupled with policies that improve long-term sustainability. The government made pension indexation more generous by taking into account one half (rather than the previous one third) of real wage growth. It will also top up pensions with CZK 1 000 for all pensioners over 85 years and increase the flat rate part of the pensions from 9 % to 10 % of the average wage. These measures will likely increase costs further and worsen the sustainability indicator (S2) by around 0.2 to 0.3 pps of GDP in the long term. While the government agreement mentions pension reform among its priorities, it is unclear what reforms are envisaged and if they can improve the sustainability of the pension system. The projected increase in age-related public expenditure on healthcare also reduces long-term fiscal sustainability. Public expenditure on healthcare is projected to increase by 1.1 pps of GDP by 2070, above the EU average increase of 0.9 pps. Taking into account the impact of non-demographic drivers, it may increase by 1.9 pps of GDP by 2070, 0.3 pps above the EU average.	• Improve long-term fiscal sustainability of the pension and health-care systems.	**No Progress.** The process of a regular review of the statutory retirement age took place in 2019. The report concluded that an increase in expected expenditure on pensions up to 14.5% of GDP in 2059. After social and economic considerations, the government decided not to increase the statutory retirement age. Therefore, the long-term fiscal sustainability of the pension system remains problematic. There was some limited progress regarding the sustainability of the health-care system. A schedule for the reform of primary care was approved by the Ministry of Health in June 2019. The use of Diagnostic Related Groups will be piloted for reimbursement on a limited scale in 2020, with the aim to further increase the scope in 2021. The system of ePrescriptions was fully implemented in 2019 and there are further developments in for instance eHealth and enhancement of the competences of general practitioners.

	• Address weaknesses in public procurement practices, in particular by enabling more quality-based competition and by implementing anti-corruption measures.	**Some Progress.** There has been some progress in addressing weaknesses in public procurement practices. Nonetheless, apart from an improved and restructured public procurement training system and increased cooperation of contracting authorities with professional authorities, annual procurement indicators do not evidence so far any improvement of public procurement practices in terms of quality based competition. Nevertheless, the effort goes into the right direction, even if the results may take more time to show. Anti-corruption measures have been planned but adoption by the Parliament has been long outstanding.	• Adopt pending anti-corruption measures.	**Limited Progress.** Several pending measures are either not yet adopted by the government, or are not finally approved by the Parliament. These proposals include: extending the role of the Supreme Audit Office to the regions and municipalities, introducing legislation on protection of whistleblowers and on lobbying. The bill on whistleblower protection is currently prepared at ministerial level, with a view to adopt it in 2020. The law on nominations to the state owned companies was adopted by the Parliament in 2019.
	2. Reduce the administrative burden on investment, including by speeding up permit procedures for infrastructure work. Remove the bottlenecks hampering research, development and innovation, in particular by increasing the innovation capacity of domestic firms. Strengthen the capacity of the education system to deliver quality inclusive education, including by promoting the teaching profession. Foster the employment of women, the low-skilled and disabled people, including by improving the effectiveness of active labour market policies. *Split into Sub-CSRs*	**Some Progress.**	3. Focus investment-related economic policy on transport, notably on its sustainability, digital infrastructure, and low carbon and energy transition, including energy efficiency, taking into account regional disparities. Reduce the administrative burden on investment and support more quality-based competition in public procurement. Remove the barriers hampering the development of a fully functioning innovation ecosystem. *Split into Sub-CSRs*	**Some Progress.**

	• Reduce the administrative burden on investment, including by speeding up permit procedures for infrastructure work.	**Some Progress.** An amendment to the current legislation has the potential to shorten and improve the effectiveness of permits proceedings involving the awarding of permits related to strategic infrastructure. Furthermore, a new construction law is being prepared and is expected to be finalised by 2023.	• Focus investment-related economic policy on transport, notably on its sustainability,	**Limited Progress.** Several large TEN-T railway projects are on-going, including to upgrade the Prague railway junction as well as the lines connecting to the Slovak and to the German borders. These projects experienced some delays and are planned for completion in the next 2 to 3 years. A number of development studies are also ongoing to further reinforce the rail network. Projects are underway in the road sector as well, including regarding the motorway connections to the Austrian and Polish borders. The uptake of zero emission vehicles remains low. In 2019, only 0.5% of newly registered vehicles were battery electric or plug in hybrid vehicles. The deployment of recharging infrastructure follows the slow growth pass of zero emission vehicles. In December 2020, the Czech government approved a National Investment Plan that gives the utmost priority to transport, allocating around three quarters of the total sum. The plan foresees investment in transport infrastructure of CZK 6,000 billion by 2050, of which CZK 3,000 billion by 2030. The National Investment Plan assumes investments of CZK 782 billion in motorway construction, CZK 878 billion in railway modernisation and CZK 769 billion in the construction of high-speed railway lines.

	• Remove the bottlenecks hampering research, development and innovation, in particular by increasing the innovation capacity of domestic firms.	**Limited Progress.** The announced 'Investment package', if well designed, could attract higher value investments in the country and thus strengthen the potential for innovation. At the same time, the recent changes in the R&I policy governance and the design of Metodika 17+ are unlikely to significantly improve R&D performance. The Czech Republic remains a 'moderate' innovator with a performance of around 80% of the EU average. Despite the Czech economy gradually shifting towards more knowledge-intensive activities also thanks to EU funding, the proportion of innovative Czech firms is lagging behind the EU average. Bottlenecks exist on the supply side as well, mainly related to the generally low attractiveness of the public research systems when compared internationally, the shortage of skilled researchers and a lack of incentives for collaboration with businesses.	• digital infrastructure,	**Limited Progress.** 5G auction has been postponed suggesting that Czechia will likely not be able to reach the objectives of the EU 5G action plan. The national Innovation strategy aims to help companies use more digital technologies, support Industry 4.0 or build super-fast broadband infrastructure as a basis for online services. However, the government has not yet launched concrete initiatives to implement the strategy.
	• Strengthen the capacity of the education system to deliver quality inclusive education, including by promoting the teaching profession.	**Some Progress.** A number of measures to improve the system have been taken but their impact will depend on implementation. Regarding the teaching profession, its attractiveness remains low and further efforts are needed to better promote it and to attract and retain talented young people.	• and low carbon and energy transition, including energy efficiency, taking into account regional disparities.	**Limited Progress.** Czechia has made limited progress regarding the need to improve its legal framework and reduce administrative burden for investing in renewable energies. At around 15%, the share of renewable energy in final consumption is below EU average (18% in 2018) and has been static since 2014. Czechia has one of the highest greenhouse gas emissions per capita in the EU (12.2 tonnes compared to an EU average of 8.5 in 2018) and progress since 2007 has been rather low. The available national sources of funding do not necessarily prioritise investments focusing on sustainability (i.e. that minimise the effects of climate change or environmental destruction) or penalise projects that use solid fossil fuels. Road transport is becoming one of the main consumers of energy in Czechia, but the investments in low-carbon technologies and vehicles remain low. The long-term renovation strategy still lacks details on the steps to renovate and decarbonise buildings, while

				such details would allow the estimation of benefits from energy savings.
	• Foster the employment of women, the low-skilled and disabled people, including by improving the effectiveness of active labour market policies.	**Some Progress.** Measure fostering labour market participation of women, low-skilled and people with disabilities have somewhat improved but there are still challenges regarding the effectiveness of active labour market policies (ALMP). Improvements were supported from EU funds by increasing the number of childcare facilities but the implementation of other policy measures is delayed. The announced changes in provision of individualised services by public employment services, which could further help to integrate other underrepresented groups such as the low skilled and people with disabilities, have not yet brought tangible results. Due to the ineffective targeting and a lack of tailored measures, the progress in improving the effectiveness of ALMPs was limited, preventing these groups from fully benefitting from the favourable conditions of the labour market.	• Reduce the administrative burden on investment	**Limited Progress.** The 2018 product market regulation (PMR) data confirms administrative burden on start-ups as a problematic area, particularly concerning licenses and permits. The result may also be driven by distortions induced by state involvement in economy and barriers to domestic and foreign entry. Complex, non-harmonised and unpredictable legislation discourage investors and undermine medium and long-term competitiveness. Ineffective enforcement of single market rules increases uncertainty for economic operators, reducing their incentives to undertake additional investments. Tax compliance costs for businesses remains high. The recent legislative amendments to the Act on accelerating the construction of transport, water, energy and electronic communication infrastructure have been appreciated by the business community with respect to simplification and acceleration, but the impact is still to be assessed. Work is currently underway on a new construction law, the aim of which is to reduce the administrative burden and speed up and streamline the permitting processes in all legislation that regulates or affects the construction law in Czechia (around 60 laws). However, the actual implementation is expected only after 2021.
			• and support more quality-based competition in public procurement.	**Some Progress.** Effort in supporting quality-based competition is noticeable. The Czech authorities put in place a well-structured training system and organised conferences and specialised events to increase the professionalisation level of contracting authorities. The contracting authorities also seem to genuinely focus more on quality criteria.

			• Remove the barriers hampering the development of a fully functioning innovation ecosystem.	**Some Progress.** The adopted Innovation Strategy of the Czechia aims to remove obstacles for the development of a functioning innovation ecosystem. Under the same axis, automation and artificial intelligence (AI) have become major policy priorities for the Czech government, part of the larger overarching government plan called 'Czechia - The Country for the Future.' If well implemented, the set up goals could contribute to the improvement of this ecosystem.
			2. Foster the employment of women with young children, including by improving access to affordable childcare, and of disadvantaged groups. Increase the quality and inclusiveness of the education and training systems, including by fostering technical and digital skills and promoting the teaching profession. *Split into Sub-CSRs*	**Limited Progress.**

			• Foster the employment of women with young children, including by improving access to affordable childcare, and of disadvantaged groups.	**Limited Progress.** Women aged 25-49 with small children continue to be underrepresented in the labour market. The negative impact of parenthood on female labour market participation continues to be above the EU average. Despite the considerable increase in the number of childcare places created with the support of the European Social Fund, supply still falls short of demand, leaving the participation rate in formal childcare for children under age 3 still significantly below the EU average. Authorities plan to amend the Children´s Groups Act by 2022 in order to harmonise the different rules and make childcare more affordable through increased resources, in particular for children below 3 years for which currently there is no legal entitlement for a place. High demand for labour has led to improvements in the participation of underrepresented groups. Still, Czechia has a higher than average employment rate gap between people with and without disabilities - 29.7 pps vs 24.2 pps in the EU in 2017. There are also significant regional differences. Targeting of active labour market policies to the most vulnerable is still not sufficient, including in the new measures announced (Employment Pack).

			• Increase the quality and inclusiveness of the education and training systems, including by fostering technical and digital skills and promoting the teaching profession.	**Some Progress.** Positive measures were adopted but still they seem insufficient to bring enough actual progress. Socioeconomic inequality of opportunities for children remains high. The latest PISA results show that the share of 15 year-old students with a low socio-economic background who underperform in reading is 29.7 percentage points greater than for those coming from a high socio-economic background. The reform to promote inclusive education has so far had a limited impact on Roma and the possible impacts of the amendment to the inclusive education reform are uncertain. Substantial progress to improve the educational outcomes of Roma still remains to be observed. Despite recent wage increases, teachers' wages in Czechia are among the lowest across OECD countries and consistently below those of tertiary-educated adults at all levels of education. The teaching profession still has limited capacity to attract the best candidates. The ageing of the teaching workforce is a rising issue in Czechia, in particular at primary level, with raising concerns about potential shortages in the future. Despite some measures taken (for example Action Plan Work 4.0), the level of advanced digital skills is below the EU average. There is scope for further development of teachers' training in ICT skills. The initiatives implemented by Czechia are a step in the right direction towards higher quality vocational education and training, but their impact needs to be closely monitored. Also a comprehensive national skills strategy is still missing. The government has adopted the implementation plans for the Digital Czechia Programme. They include actions to improve digital skills through the support for life-long learning, upskilling employees in SMEs and freelancers, support of courses for job seekers, improving digital literacy of students and teachers or opening education to digital technologies. If properly implemented, these actions have the potential to address the country-specific recommendation in the area of digital skills.

DK	2018 CSRs SGP: - MIP: -	Assessment of implementation of 2018 CSRs February 2019	2019 CSRs SGP: - MIP: -	Assessment of implementation of 2019 CSRs February 2020
	1. Increase competition in domestically oriented services sectors, for instance in the distribution of utilities and in the financial sector.	**Some progress.** In 2018, Denmark has implemented measures to enhance competition in the financial sector. Moreover, Denmark has continued its work with implementing the utilities strategy. Political agreements on measures in the water and sewage water sector were reached in October 2018.	1. Focus investment-related economic policy on education and skills, research and innovation to broaden the innovation base to include more companies, and on sustainable transport to tackle road congestion. *Split into Sub-CSRs*	**Some Progress.**
			• Focus investment-related economic policy on education and skills,	**Some Progress.** The re-priorisation contribution (omprioriteringsbidraget) to education will be cancelled from 2020, thereby significantly increasing the funding of education (approx. DKK 678 million per year). Increased funding for basic education (Folkeskolen) from 2020 till 2023 (i.e. raising by DKK 275 million in 2020 up to DKK 807 million in 2023). A broad political agreement (October 2019) earmarked DKK 102 million to initiatives targeting the upskilling of unskilled workers.
			• research and innovation to broaden the innovation base to include more companies,	**Limited Progress.** Denmark has taken measures to increase funding for research and innovation. The Research Reserve for 2020 has been increased from the original plan by 38 %, totalling DKK 1.925 billion. The budget earmarks an additional DKK 1 billion for green research in 2020 raising it to a total of DKK 2.3 billion. However no specific measures were proposed to broaden the innovation base and to include more companies.
			• and on sustainable transport to tackle road congestion.	**Some Progress.** The Government has presented a specific transport plan to tackle key road congestion areas, notably in the Greater Copenhagen and Lillebælt areas. With a view to Denmark's greenhouse gas emissions reduction target, the government is set to negotiate an agreement on infrastructure investments, which takes climate and environmental issues into account, e.g. through in-

				vestment in public transport and cycling. The Government has taken action to disseminate European Rail Traffic Management System (ERTMS) signalling on Danish railroads, which is a prerequisite for further electrification of the rail network. New electric trains for regional and international traffic to Germany are expected to be operational from 2021.
			2. Ensure effective supervision and the enforcement of the anti-money laundering framework.	**Some Progress.** Denmark undertook several significant legislative steps over a relatively short period of time, but the recently implemented measures still have to prove their effectiveness. The Financial Supervisory Authority has made progress in enhancing its supervisory capacity, but upgrade has yet to be sought and obtained in respect of Financial Task Force standards relevant for anti-money laundering supervision of financial entities. The DFSA established an AML Division and increased the number of AML-dedicated staff by close to 50% in 2019.

DE	2018 CSRs SGP: - MIP: CSR 1, 2	Assessment of implementation of 2018 CSRs February 2019	2019 CSRs SGP: - MIP: CSR 1, 2	Assessment of implementation of 2019 CSRs February 2020
	1. While respecting the MTO, use fiscal and structural policies to achieve a sustained upward trend in public and private investment, and in particular on education, research and innovation at all levels of government, in particular at regional and municipal levels. Step up efforts to ensure the availability of very high-capacity broadband infrastructure nationwide. Improve the efficiency and investment-friendliness of the tax system. Strengthen competition in business services and regulated professions. *Split into Sub-CSRs*	**Limited Progress.**	1. While respecting the MTO, use fiscal and structural policies to achieve a sustained upward trend in private and public investment, in particular at regional and municipal level. Focus investment-related economic policy on education; research and innovation; digitalisation and very-high capacity broadband; sustainable transport as well as energy networks and affordable housing, taking into account regional disparities. Shift taxes away from labour to sources less detrimental to inclusive and sustainable growth. Strengthen competition in business services and regulated professions. *Split into Sub-CSRs*	**Limited Progress.**
	• While respecting the MTO, use fiscal and structural policies to achieve a sustained upward trend in public and private investment,	**Some Progress.** Overall, the investment situation shows signs of improvement, but further action is still needed. Public investment in 2018 grew by 7.7 % nominally and by 3.8 % in real terms. This represents a noticeable increase compared to past years and the long-term average. However, given the backlog especially at municipal level, public investment still needs greater efforts to maintain the capital stock. This could be achieved, in particular by addressing planning constraints as well as the high regional differences of public investment, which suggest that the current fiscal set up does not yet provide all municipalities with sufficient financial resources and staff to significantly	• While respecting the MTO, use fiscal and structural policies to achieve a sustained upward trend in private and public investment, in particular at regional and municipal level.	**Some Progress.** Private investment remains solid despite the economic slowdown, but is still lagging behind infrastructure and housing needs. In 2018, private investment increased by 3% in real terms and across most asset types, excluding non-residential construction investment which remained subdued. In 2019, real investment continued increasing at similar rates, however with non-residential investment picking up speed, while equipment investment growth weakened. Altogether, the private investment share of GDP increased from 18% in 2011-2017 to 19% in 2018-2019. The most dynamic components in recent years have been housing and other investment (comprising mainly R&D and other intellectual property). However, investment is still lagging behind infrastructure and housing needs. This is reflected in short-

		step up their investment levels. Private investment has increased noticeably as well, but not across all asset types. Equipment investment has grown robustly in response to record high capacity utilisation. Housing investment continues to boom even if the construction sector reports capacity constraints and price increases. Non-residential construction has been increasing sluggishly in real terms, suggesting that essential infrastructure may not have kept up with the economy's needs.		term pressures, observed for example through increases in house prices and rents. Furthermore, the manufacturing sector faces a slowdown in foreign demand dynamics, in tandem with a need to adapt to climate and environmental requirements (e.g. low-emission cars). Public investment has continued increasing against a backdrop of a significant investment backlog. Gross public investment increased by around 6% annually in 2015-2017 and by close to 9% in 2018 and close to 7% in 2019 in nominal terms. In real terms the increase averaged about 4% in 2015-2019 as price inflation for construction works was high (more than 4.5% on average) in 2017-2019. This raised the public investment rate from 2.1% of GDP in 2015 to 2.5% of GDP in 2019. Since 2017, total government net investment has turned positive. In 2018-2019, municipal investment picked up speed, but net investment remains negative. The investment backlog at municipal level remains high at EUR 138.4 billion, 4% of GDP.
	• and in particular on education,	**Limited Progress.** Spending rose in real terms but remained flat as a share of GDP at 4.2%. Important investment were announced in the coalition agreement. However, the investment backlog in education is by now bigger than in other sectors at municipal level. Legislative changes for direct government investment in the Länder is put on hold, with a stalling effect on important investments in education infrastructure and other projects (digital education).	• Focus investment-related economic policy on education,	**Limited Progress.** While education expenses have somewhat been increased in 2019, including through the Digitalpakt Schule, a longer term horizon for education expenses remains missing.
	• research and innovation at all levels of government, in particular at regional and municipal levels.	**Some Progress.** R&D intensity increased from 2.71 % of GDP in 2010 to 3.02 % in 2017. The national (and EU) target of 3 % has thus been achieved. In real absolute terms, growth was also faster than the EU average. While expenditure by the business sector grew faster than spending by the government and the higher education sectors, R&D intensity in the business sector also expanded faster in pps (from 1.82 % in 2010 to	• research and innovation,	**Some Progress.** Germany invests considerable resources in R&D, still private investment in R&D is increasingly concentrated in large fims while SMEs and start-ups face challenges. R&D intensity has increased during the last years, from 2.46% of GDP in 2007 to 3.13% in 2018 (3rd highest in the EU). A new national R&D intensity target of 3.5% by 2025 was included in Germany's High Tech Strategy (BMBF, 2018). With two thirds of the R&D performed in the business sector, German business

		2.09 % of GDP in 2017) than in the public sector (where it increased from 0.89 % of GDP in 2010 to 0.93 % in 2017).		R&D intensity (2.16% in 2018) is the third highest in the EU. However, business R&D is predominantly performed by large firms in R&D-intensive industries, whereas small and medium-sized enterprises' R&D expenditure has stagnated over the past decade.
	• Step up efforts to ensure the availability of very high-capacity broadband infrastructure nationwide.	**Limited Progress.** Overall, there are encouraging announcements to improve the nationwide broadband infrastructure, but so far only small steps have been taken regarding their implementation. Germany is lagging behind in the deployment of very high-capacity broadband on a national level, and particularly in rural areas. The market share of fibre optics connections was still at a very low level of only 2.1 % in July 2017, compared to a significantly higher EU average of almost 12.9 %. Concerning take-up rates for ultrafast connections (DAE target III), 11.1 % of German households subscribe to 100 Mbps or more. This is way below the EU average of 15.4 %. The Federal Government has acknowledged the problem and has taken first steps to address it. The special 'Digital Infrastructure' fund was announced and EUR 2.4 bn was allocated from the 2018 federal budget. Moreover, a Gigabit Investment Fund of EUR 10-12 bn was included in the coalition agreement of the parties forming the federal government, to be spent by 2021 in order to roll out gigabit infrastructure. If implemented, this could be a big step towards a more future-proof digital infrastructure in Germany.	• digitalisation and very-high capacity broadband,	**Limited Progress.** Regarding digitalisation, especially digital public services, the implementation of the Online Access Act is proceeding rather slowly, and it is unlikely that the Act's nominal goal of digitalizing all 575 services by the end of 2022 will be met. In November 2019 the Federal Cabinet decided the reorganization of this costly digital project of modernizing the IT infrastructure of the public authorities. Regarding broadband, although the take-up of fast broadband (≥30Mbps) has improved, Germany remains below the EU average, and considerably so in fiber to the premises (FTTP) coverage, 4G coverage and mobile broadband take-up. While the Government made considerable efforts on the financial side for the roll-out of digital networks, significant improvements in terms of FTTP coverage and take-up are not expected in the short term, given the lack of building capacities and know-how.
	• Improve the efficiency and investment-friendliness of the tax system.	**Limited Progress.** Overall, there is still more action needed to improve the efficiency and investment-friendliness of the tax system. Although some measures are expected to lead to improvements, the most important distortions are not fully addressed, the tax system overall remains complex and the marginal tax burden on new investments or	• sustainable transport,	**Limited Progress.** The transport sector has done particularly badly at cutting emissions of both greenhouse gases and local air pollutants, which has led to a gap in meeting Germany's Effort Sharing Decision target. Despite very high external cost of road transport, Germany records a high use of passenger cars while at the same time the competition within the rail passenger sector remains low.

		for taking up (additional) work is still high. After some improvements in this area in recent years, relatively little progress has been made over the past year. Germany adopted a reform designed to modernise and automate tax administration procedures in 2017, but this is still in the process of being implemented. As of 2018, Germany simplified the tax treatment of mutual investment funds and their investors. At the same time, it removed some restrictions on offsetting losses when loss-making companies are bought by new investors. It remains to be seen if these two new measures can actually trigger additional real investment.		The Climate Package of Autumn 2019 included a number of promising measures, including support for creating charging infrastructure of electric vehicles, increased subsidies for electric, hybrid and fuel cell vehicles, public transport investment, creation of new cycling routes, modernisation of ports and inland waterways, support to rail transport. However, the impact and the implementation of these needed and overall well-conceived measures still remain to be seen.
	• Strengthen competition in business services and regulated professions.	**Limited Progress.** Barriers to competition in business services remain high in comparison with other EU Member States. Data on business dynamics and profitability are suggesting lower competitive pressures in key business services sectors such as legal, accounting, architectural and engineering activities, which lead to higher mark-ups. Professional services are still overregulated, where exclusive rights, compulsory chamber membership, and regulation on prices and fees stifle competition. This is problematic given the high share of services inputs in the German manufacturing industry. Changes in the regulation of services could boost economic activity and investment in Germany. Policy actions to stimulate competition in business services and regulated professions have not been recorded, with the exception of minor measures as a follow-up to individual court decisions concerning the professions of lawyers and tax advisors.	• as well as energy networks,	**Limited Progress.** Some measures have been taken, including an agreement on forward-looking internal planning and auditing of grid expansion, and improving construction and access of the liquefied natural gas network to the existing gas transmission system. Still, further investments in energy networks are required; beyond transmission networks also in distribution and heat networks. It is likely that there will be significantly higher investment in transmission infrastructure by 2030 than expected just a year ago. However, there is currently no systematic and comprehensive tracking of investments in different types of energy networks relevant for the energy transition (Energiewende) in Germany at federal level and across different levels of government.
			• and affordable housing, taking into account regional disparities.	**Limited Progress.** Several housing measures have been adopted, however the impact on housing investment may not necessarily be positive. A mechanism to control the increase in rents is planned to be extended until 2025, while some Länder are

				considering further accelerating rent controls. A new regulation regarding commission fees of real estate agents is intended to lead to a fairer distribution of the costs between the selling and buying parties. An act to strengthen housing benefits will enter into force in 2020 and will increase the reach and level of housing benefits including regular updates, with the next update scheduled in 2022. Taken together, it is not clear that these measures will improve housing investment. While they may have a temporary mitigating effect on rental price dynamics, in the longer run, prices and investment are also shaped by supply-side policies, and longer term outcomes are intimately linked to incentives to invest in housing.
			• Shift taxes away from labour to sources less detrimental to inclusive and sustainable growth.	**Limited Progress.** While the reform of the solidarity surcharge will bring some relief, the tax system continues to rely heavily on taxes on labour, and there was limited progress in shifting the tax burden to sources less detrimental to inclusive and sustainable growth.
			• Strengthen competition in business services and regulated professions.	**No Progress.** No measures have been taken to stimulate competition in business services and regulated professions in 2019. The only announced measures include legal amendments in order to comply with the ruling of the European Court of Justice on tariffs for architects and engineering services and in order to comply with a European regulation. Contrary to this, the federal government presented a draft law that will further stifle competition, as it conditions practicing 12 craft professions on having obtained a Master Craftsman's Certificate (Meisterpflicht). The new measure partly reverses the 2004 deregulation.
	2. Reduce disincentives to work more hours, including the high tax wedge, in particular for low wage and second earners. Take measures to promote longer working lives. Create conditions to promote higher wage growth, while respecting the	**Some Progress.**	2. Reduce disincentives to work more hours, including the high tax wedge, in particular for low-wage and second earners. Take measures to safeguard the long-term sustainability of the pension system, while preserving adequacy. Strengthen the conditions that support higher	**Some Progress.**

	role of the social partners. Improve educational outcomes and skills levels of disadvantaged groups. *Split into Sub-CSRs*		wage growth, while respecting the role of the social partners. Improve educational outcomes and skills levels of disadvantaged groups. *Split into Sub-CSRs*	
	• Reduce disincentives to work more hours,	**Some Progress.** A number of measures were taken to reduce disincentives to work more hours. From 2019, the midi-job earning threshold was raised from EUR 850 to EUR 1300, resulting in a more gradual phase-in of social security contributions. This will reduce marginal tax rates for certain groups of low wage earners. Further measures, such as the right to return to full time employment, may also contribute to higher employment of women.	• Reduce disincentives to work more hours,	**Some Progress.** Some measures were taken to reduce disincentives to work more hours, in particular regarding taxes on labour. However, overall major disincentives remain in place.
	• including the high tax wedge, in particular for low wage	**Some Progress.** As of 2019, the social security burden on self-employed people has been reduced, as their monthly minimum health insurance contribution will fall from EUR 360 to EUR 160. The family benefit supplement, responsible for high marginal effective tax rates for certain family types, such as single earners with children, will be phased out more gradually when earned income increases, instead of full withdrawal at the cut-off point. Unemployment contributions will be reduced by 0.5 pps from 2019; however, this will be counterbalanced by a 0.5 pps increase in the long- term care contribution rate. The reintroduction of the rule requiring employers and employees to pay equal contributions to statutory health insurance will result in an average reduction of 0.5 pps in contributions for employees and pensioners, thereby increasing take-home pay and unit labour costs. However, as this is counterbalanced by an increase in employers' contributions, the effect on the tax wedge is neutral. The increase in the basic personal allowance in 2019 appears to	• including the high tax wedge, in particular for low- wage [earners]	**Some Progress.** A number of measures taken on the social security contributions and tax brackets impact the tax wedge, however the overall reduction in 2019 and 2020 is limited. While the large-scale abolition of the solidarity surcharge from 2021 will have a noticeable impact, the tax wedge will still remain among the highest in the EU, and the tax and benefit system results in high marginal tax rates for certain groups of low wage earners.

		roughly match inflation, so it will not result in an effective reduction in taxation.		
	• and second earners.	**Limited Progress.** Some efforts have been recorded to promote the use of the alternative factor method (Faktorverfahren) to tackle the high marginal tax rates on take-home pay for the second earner, given the current set-up of joint income taxation for married couples. However, disincentives to working more hours persist. In addition to the joint taxation framework, these indude a persistent supply gap in the provision of full-time quality childcare.	• and second earners.	**Limited Progress.** Second earners also benefit from the slight reduction of the tax wedge and from the continuing expansion of childcare and all-day school facilities, the overall landscape is unchanged, with a tax system that results in high marginal tax rates for second earners and with persisting gaps in availability of quality and affordable early childhood education and care.
	• Take measures to promote longer working lives.	**Limited Progress.** The increases in pension entitlements for women with children born before 1992 (Mütterrente II) and for people with disability pensions (Erwerbsminderungsrente) are expected to improve pension adequacy for these groups. Yet neither these measures, nor the double pension stopline - setting a minimum benefit rate and maximum contribution rate until 2025 — are expected to promote longer working lives. There is no official assessment yet of the impact of the flexible retirement reform, which entered into force in 2017, and the Pension Commission's proposals for increasing pension system sustainability and adequacy are not expected until March 2020.	• Take measures to safeguard the long-term sustainability of the pension system, while preserving adequacy.	**Limited Progress.** The Pension Commission (Kommission Verlässlicher Generationenvertrag) continued its deliberations, with proposals expected in March 2020 on the future of the pension system after 2025. Considering the challenges of sustainability, adequacy and fairness, indeed appears to be need for action. The coalition government agreed on the introduction of a contribution-based minimum pension (Grundrente) in November 2019, that is expected to improve adequacy for certain groups, however, the related legislative act has not been adopted yet.
	• Create conditions to promote higher wage growth, while respecting the role of the social partners.	**Some Progress.** Nominal wage growth accelerated to 3.2 % in 2018. However, real wage growth has not yet picked up. Some measures have been taken to support wage growth, while the effect of earlier measures has tended to fade away. Earlier policy measures, such as the introduction of the general statutory minimum wage in 2015, had a substantial impact on wage growth. However, by now, low wages have largely adjusted and the increase in the minimum wage currently sends limited price impulses, which is also reflected in the reduction of the	• Strengthen the conditions that support higher wage growth, while respecting the role of the social partners.	**Some Progress.** Overall wage growth has been so far resilient to the slowdown, yet it is expected to decelerate and converge closer to the euro area average. The minimum wage increase from 9.19 euros per hour in 2019 to 9.35 euros per hour in 2020 represents a nominal increase of about 1.7%, remaining below overall wage growth, and collective bargaining coverage stagnated in 2018, at relatively low level compared to the past.

		wage drift. Collective bargaining coverage continued to decline in 2017. A collective agreement was reached for public employees at the federal and the municipal level, affecting about 2.3 million workers directly and 300 thousand workers indirectly. The agreement, which runs for 30 months from March 2018, stipulates wage increases and lump-sum payments, which, taken together, will yield about 3.0 % of annualised nominal wage increase. This is about 0.6 pps higher annualised than the previous wage agreement for the sector, which is somewhat below the increase in inflation since the previous agreement was reached in early 2016.		
	• Improve educational outcomes and skills levels of disadvantaged groups.	**Limited Progress.** Several measures to improve equity are being implemented by the Länder. However, socio-economic and/or migrant background still strongly impact educational participation and outcomes. Recent national sources on education mark insufficient progress over time. Remedial measures, such as increasing the number of all-day schools, are threatened by serious shortages of teaching staff.	• Improve educational outcomes and skills levels of disadvantaged groups.	**Limited Progress.** Germany started in 2019 some promising reforms to improve upskilling and reskilling, yet there is further potential, and the degree of the challenge is underlined by the continuing strong impact of socio economic background on education outcomes, reflected in the OECD Programme for International Student Assessment (PISA) 2018 results where underachievement increased compared to 2015 in all disciplines, most importantly in reading. Germany increased in 2019 the investment in relevant research to improve educational justice. Whose impact on better education outcomes is still to materialise. Educational outcomes and skills levels of disadvantaged groups remained broadly unchanged.

EE	2018 CSRs SGP: CSR 1 MIP: -	Assessment of implementation of 2018 CSRs February 2019	2019 CSRs SGP: CSR 1 MIP: -	Assessment of implementation of 2019 CSRs February 2020
	1. Ensure that the nominal growth rate of net primary government expenditure does not exceed 4,1 % in 2019, corresponding to an annual structural adjustment of 0,6 % of GDP. Improve the adequacy of the social safety net, in particular for older people and people with disabilities. Take measures to reduce the gender pay gap, including by improving wage transparency in the private sector. *Split into Sub-CSRs*	**Some Progress** (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact). In June 2019, the Commission evaluated compliance with the SGP in its assessment of the 2019 Stability Programme for Estonia (without using or referring to the assessment grid used for other CSRs): *"**In 2019**, the SP foresees a **growth rate of government expenditure, net of discretionary** revenue **measures, which is in line with the applicable expenditure benchmark rate. The improvement of the structural balance of 0.4% of GDP in 2019 is also appropriate.** However, over a two-year average, which captures the fiscal underperformance in 2018, the expenditure benchmark is significantly exceeded and the structural pillar shows some deviation. **According to the Commission 2019 spring forecast, there is a risk of significant deviation in 2019, following an overall assessment.**"* (p. 19)	1. Ensure that the nominal growth rate of net primary government expenditure does not exceed 4,1 % in 2020, corresponding to an annual structural adjustment of 0,6 % of GDP. Ensure effective supervision and the enforcement of the anti-money laundering framework. *Split into Sub-CSRs*	**No overall assessment of CSR 1.** The Stability and Growth Pact compliance assessment will be added to the table once the Commission has carried out such an assessment, probably in May/June 2020, on the basis of final data for 2019
	• Ensure that the nominal growth rate of net primary government expenditure does not exceed 4,1 % in 2019, corresponding to an annual structural adjustment of 0,6 % of GDP.	*See grey part above.*	• Ensure that the nominal growth rate of net primary government expenditure does not exceed 4.1% in 2020, corresponding to an annual structural adjustment of 0.6% of GDP.	The assessment of compliance with the Stability and Growth Pact will be included in the table in May/June (see above).
	• Improve the adequacy of the social safety net, in particular for older people and people with disabilities.	**Some Progress.** Estonia has achieved some progress in providing a more adequate social safety net. The subsistence level for the first household member, the basic income	• Ensure effective supervision and the enforcement of the anti-money laundering framework.	**Limited Progress** was achieved in ensuring effective supervision and the enforcement of the anti-money laundering framework. Finantsinspektsioon took a number of steps against non-compliant

		tax allowance and the pensions through indexation were increased. *Furthermore*, to reduce the poverty risk of pensioners living alone, one-time allowance of EUR 115 was paid in 2017 and 2018. The parental pension supplement was introduced. The situation of disabled is improving as the Work Ability reform helps them to return to the labour market and thus increase their income. In addition, the reform of the first pillar pension scheme has introduced – among others – a change that from 2021 the calculation of the pension index will add more value to the years worked, raising the income of low wage earners; and as from 2027 the retirement age will be linked to life expectancy. The minimum income scheme does not protect people from falling below the absolute poverty line. Furthermore, providing good quality and affordable social services remains a challenge.		credit institutions. However, its anti-money laundering supervisory capacity remains limited both in terms of human resources and tools. This hampers its capacity to carry out effective supervision. A risk-based approach to supervision has not yet been fully implemented. As the introduction of legislation to raise sanction levels has been delayed and is not yet in place, fines continue to be neither effective, nor proportionate or dissuasive. This hampers the deterrent effect of supervisory measures, as shown by recent cases. Progress as regards enforcement also remains limited. Prosecutions and convictions in money laundering cases remain limited. The exchange of information between the Financial Intelligence Unit and law enforcement authorities is also seldom proactive.
	• Take measures to reduce the gender pay gap, including by improving wage transparency in the private sector.	**Some Progress.** Estonia has achieved some progress in taking measures to address gender pay gap. The first phase of the parental leave and benefit system reform is already being implemented. The second phase of the parental leave and benefit system was adopted in October 2018. The change to the Gender Equality Act introducing a pay transparency requirement for the public sector is in the Parliament awaiting second reading. The gender pay gap is decreasing but remains among the highest in the EU.		
	2. Promote research and innovation, in particular by providing effective incentives for broadening the innovation base.	**Some Progress.** Estonia introduced some new initiatives in 2018 to address the country-specific recommendation. These include funding schemes to support product development in companies, the commercialisation of breaking scientific results, and digitalisation in the industry. The impact of the	2. Address skills shortages and foster innovation by improving the capacity and labour market relevance of the education and training system. Improve the adequacy of the social safety net and access to af-	**Some Progress.**

		measures remains to be seen. So far, measures introduced in the previous years (innovation and development vouchers, ADAPTER, NUTIKAS) had limited impact. The innovation performance of SMEs creating new products, introducing innovation in processes and innovating inhouse remains well below the EU average. Estonia's performance is low, both as regards business R&D&i, which amounts to only half the EU average, and as regards the proportion of companies that report carrying out research activities.	fordable and integrated social services. Take measures to reduce the gender pay gap, including by improving wage transparency. *Split into Sub-CSRs*	
			• Address skills shortages and foster innovation by improving the capacity and labour market relevance of the education and training system.	**Some Progress** was made to improve the labour market relevance of both higher and vocational education. The performance-based funding system of universities and incentives to increase enrolments in certain study fields are helping to align skills supply to labour demand. The forecasting system OSKA has been evaluated. The results of the evaluation will be used to make the skills supply match the labour market demand at each level of the education and training system. A number of regulations helping implement the recommendation entered into force since June 2019, notably a regulation assessing the quality of the conditions and procedure for vocational education on the principles, conditions and procedure for support for the activities of vocational education institutions and an amendment to the regulation on the implementation procedure for apprenticeships.
			• Improve the adequacy of the social safety net and access to affordable and integrated social services.	**Some Progress** was made in improving the adequacy of the social safety net. Since April 2020, the base amount of pension will be increased by €7 in addition to the annual pension increase from indexation of €38. The changes to the second pillar are expected to reduce the future sustainability and adequacy of pensions. Annual increases from indexation took place for subsistence benefit, work ability allowance, unemployment allowance, and unemployment insurance benefit. As of 2020, disabled children's benefits will be increased two- to

				threefold depending on the level of disability to maximum €241 (from €80.55 in 2019). The changes in the first pillar pension formula will take effect as of 2021 and will address the pension adequacy of low-wage earners. Limited progress was made in providing good quality and affordable social services. There is an agreement on the concept regarding the financing and management model for long-term care services. However, a new framework for integrated provision of social and healthcare services has yet to be designed and implemented. Some measures have been taken: for example, care homes have been made more energy efficient and more accessible; social transport improved and a dementia competence centre has developed.
			• Take measures to reduce the gender pay gap, including by improving wage transparency.	**Some Progress.** As of July 2020, paternal leave will increase from 10 days to 30 days. As of July 2020, the use of parental leave period will be flexible for the first three years of a child's life. Estonia is developing information technology tools to help employers to increase pay transparency and is running a research project to address the unexplained part of the gender pay.
			3. Focus investment-related economic policy on sustainable transport and energy infrastructure, including interconnections, on fostering research and innovation, and on resource and energy efficiency, taking into account regional disparities.	**Limited Progress.** R&D investments by the private sector have remained low and have decreased further over the last years to 0.59% of GDP in 2018. Regarding investment in energy infrastructure, Estonia has made substantial progress, as the implementation of the Baltic interconnection project is proceeding as expected. Estonia has made some progress with regards to investment in energy efficiency, but improving access of low and medium income households to finance could facilitate further improvements. Estonia has made limited progress with focusing its investment related economic policies on resource efficiency and no progress with respect to sustainable transport.

IE	2018 CSRs SGP: CSR 1 MIP: CSR 1, 2, 3	Assessment of implementation of 2018 CSRs February 2019	2019 CSRs SGP: - MIP: CSR 1, 3	Assessment of implementation of 2019 CSRs February 2020
	1. Achieve the MTO in 2019. Use windfall gains to accelerate the reduction of the general government debt ratio. Limit the scope and the number of tax expenditures, and broaden the tax base. Address the expected increase in age-related expenditure by increasing the cost-effectiveness of the healthcare system and by pursuing the envisaged pension reforms. *Split into Sub-CSRs*	**Some Progress** (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact) In June 2019, the Commission evaluated compliance with the SGP in its assessment of the 2019 Stability Programme for Ireland (without using or referring to the assessment grid used for other CSRs): *"In 2019, Ireland's Stability Programme plans a **growth rate of government expenditure**, net of discretionary revenue measures, **in line with the applicable expenditure benchmarks rates both in 2019 and 2018 and 2019 taken together. The structural balance indicator also shows compliance, based on the adjustment requirement for 2019** set in 2018, which remains fixed for the in-year assessment. Similarly, the Commission 2019 spring forecast points to compliance following an overall assessment. **In 2020, the MTO is projected to be met**. This is confirmed by the Commission 2019 spring forecast. Hence, the current assessment points to compliance in 2020. **Compliance with the transitional debt rule is ensured in 2018, as well as with the debt reduction benchmark in 2019.** In 2020, the debt ratio is projected to fall under the 60% of GDP reference value of the Treaty. This is confirmed by the Commission 2019 spring forecast."* (p. 20)	1. Achieve the MTO objective in 2020. Use windfall gains to accelerate the reduction of the general government debt ratio. Limit the scope and number of tax expenditures, and broaden the tax base. Continue to address features of the tax system that may facilitate aggressive tax planning, and focus in particular on outbound payments. Address the expected increase in age-related expenditure by making the healthcare system more cost-effective and by fully implementing pension reform plans. *Split into Sub-CSRs*	**Limited Progress** (this overall assessment of country-specific recommendation 1 does not include an assessment of compliance with the Stability and Growth Pact; the Stability and Growth Pact compliance assessment will be added to the table once the Commission has carried out such an assessment, probably in May/June 2020, on the basis of final data for 2019).
	• Achieve the MTO in 2019. Use windfall gains to accelerate the	**Limited Progress** (the assessment does not include an assessment of compliance with the Stability and Growth Pact). Budget 2019 estimates some receipts from the return of	• Achieve the MTO in 2020. Use windfall gains to accelerate the reduction of the general government debt ratio.	The compliance assessment with the Stability and Growth Pact will be included in Spring when final data for 2019 will be available.

	reduction of the general government debt ratio.	funds set aside for the resolution of the financial crisis, including the winding down of the National Asset Management Agency. However, no measures have been adopted so far to use these to reduce the debt. *See also grey part above.*		
	• Limit the scope and the number of tax expenditures, and broaden the tax base.	**Some Progress.** The measure with the biggest positive impact is an increase in the lower value-added-tax rate on hospitality, from 9 % to 13.5 %. Furthermore, the vehicle registration tax relief granted for certain leased vehicles will be suppressed and the scope of the sugar sweetened drinks tax will be moderately widened. At the same time, some Budget 2019 measures actually increase tax expenditures and narrow the tax base, e.g. personal income tax is cut by changing bands and increasing certain tax credits, as is the universal social charge through band and rate changes. Diesel is still taxed at a lower rate both in terms of carbon and energy content, even though it emits more air pollutants.	• Limit the scope and number of tax expenditures, and broaden the tax base.	**Limited Progress.** Recent revenue measures are not meaningfully contributing to broadening the tax base. The main revenue-raising measures in Budget 2020 include an increase in the carbon tax rate, an increase in the stamp duty on non-residential property and several anti-avoidance measures. Some measures introduced for limiting aggressive tax planning practices may help broadening the tax base by closing existing loopholes. Some measures included in the 2002 Budget even broaden the scope for tax expenditure and narrow the tax base. These include increases in certain tax credits, an extension of the Help-to-Buy scheme and higher capital acquisition tax allowances.
			• Continue to address features of the tax system that may facilitate aggressive tax planning, and focus in particular on outbound payments.	**Limited Progress.** Aside from the transposition of EU Directives in this area, there are some additional reforms, such as the extension of transfer pricing rules to non-trading transactions and to SMEs, however their effectiveness in addressing the issue of aggressive tax planning remains to be seen.
	• Address the expected increase in age-related expenditure by increasing the cost-effectiveness of the healthcare system and by pursuing the envisaged pension reforms.	**Limited Progress.** Despite some measures to increase the cost-effectiveness of healthcare, expenditure has continued to increase at a fast rate. The ambitious Sláintecare reform represents a credible vision for making the health system universally accessible and sustainable. However, its implementation is endangered by the health system's difficulties in addressing the duplicate health insurance market and effectively managing its own budget, performance and workforce in the short term. The Roadmap for Pension Reform, published in 2018, aims to address the long term sustainability of the state pension system. However,	• Address the expected increase in age-related expenditure by making the healthcare system more cost-effective and by fully implementing pension reform plans.	**Limited Progress.** Despite some measures to increase the cost-effectiveness of healthcare, expenditure has continued to increase rapidly. The ambitious Sláintecare reform provides a credible vision for making the health system universally accessible and sustainable. However, its implementation is endangered by the difficulties in improving budget management in the health system to avoid recurrent overspends. A Health Budgetary Oversight Group was established in 2019 with the aim of monitoring and helping control health spending and staffing numbers within the budget allocation, and to act as an early warning mechanism for any variances. The Roadmap for Pension Reform, published in 2018, aims to address the long term sustainability of the state pension system. However,

		the envisaged reforms have not yet been finalised.		the envisaged reforms have not yet been finalised. The 2020 Budget has not reported on any new measures to address these issues.
	2. Ensure the timely and effective implementation of the National Development Plan, including in terms of clean energy, transport, housing, water services and affordable quality childcare. Prioritise the upskilling of the adult working-age population, with a focus on digital skills. *Split into Sub-CSRs*	**Some Progress.**	2. Provide personalised active integration support and facilitate upskilling, in particular for vulnerable groups and people living in households with low work intensity. Increase access to affordable and quality childcare. *Split into Sub-CSRs*	**Some Progress.**
	• Prioritise the upskilling of the adult working-age population, with a focus on digital skills.	**Some Progress.** A new policy framework for further education and training and skills development of people in employment was launched in September 2018.Employees, particularly those in vulnerable jobs, will be able to access upskilling and reskilling opportunities directly at work, through engagement with companies, mainly SMEs, and as part of regional economic development strategies. The Agency for upskilling those in employment (SkillsNet) will also be reinforced. The new pilot programme EXPLORE aimed at increasing lifelong learning participation rates and offering upskilling opportunities for adults concerning also digital skills, was also launched in 2018.	• Provide personalised active integration support and facilitate upskilling, in particular for vulnerable groups and people living in households with low work intensity.	**Some Progress.** The share of people aged 0-59 living in households with very low work intensity is falling steadily (from 23.9% in 2013 to 13.1% in 2018), although it is still well above the EU average (8.8%). Measures taken include developing a revised activation framework with a particular focus on improving the progression to employment of vulnerable, inactive individuals by the Department of Employment Affairs and Social Protection and the launching of the Social Inclusion and Community Activation Programme (2018-2022) which provides funding to tackle poverty and social exclusion. Ireland's latest review of the skills needs of the green economy by the Expert Group on Future Skills Needs (Expert Group on Future Skills Needs, 2010) dates back to 2010 and is now out of date. The Climate Change Advisory Council has already flagged skill shortages in the housing sector, but others are expected to arise as the climate and energy transition progresses. Measures have been taken to increase basic and advanced levels of digital skills, but further efforts would be needed. Only a low percentage of the population has basic digital skills, which might hinder their active participation in a society increasingly reliant on digital tools. Providing workers with the skills required, includ-

				ing digital and those for a smooth and just transition to a climate neutral economy, would require investing more in education and training.
	• Ensure the timely and effective implementation of the National Development Plan, including in terms of clean energy, transport, housing, water services and affordable quality childcare.	**Some Progress.** Some of the governance structures, funds and tools to deliver the National Development Plan have already been set up and implementation has started. However, the government has not put in place a performance framework which translates the plan objectives into specific and measurable targets (result indicators) and defines the necessary interventions to be annually delivered for their attainment (output indicators). The absence of this framework will make it difficult to ensure the timely and effective implementation of the plan and to assess the capacity that the national, regional and local departments require for their implementation. The implementation of the plan may also benefit from a robust project selection system which assesses their value for money and alignment with the output and result indicators of the plan.	• Increase access to affordable and quality childcare.	**Substantial Progress.** Participation in early childhood education and care from age three is now well above the EU average (93.1% in 2018), and participation in formal childcare of those below three years (34.4%) is at around the EU average. At the same time, the share of children aged less than three years in formal childcare for 30 hours or more (at 10.6%) is lower than the EU average (17.2%). Limited availability of formal childcare in Ireland affects low-income families to a greater extent. For them, net childcare costs as a percentage of disposable income were among the highest in 2018. Recently launched programmes (National Childcare Scheme, Early Learning and Care Programme, First 5) supporting predominantly low-income families in reconciling work and care are likely to be effective in increasing access to affordable and quality childcare, as well as improving female labour market participation rates in the coming years.
	3. Foster the productivity growth of Irish firms, and of small and medium enterprises in particular, by stimulating research and innovation with targeted policies, more direct forms of funding and more strategic cooperation with foreign multinationals, public research centres and universities. Promote faster and durable reductions in long-term arrears by the use of secondary markets, building on initiatives for vulnerable households and, where	**Some Progress.**	3. Focus investment-related economic policy on low carbon and energy transition, the reduction of greenhouse gas emissions, sustainable transport, water, digital infrastructure and affordable and social housing, taking into account regional disparities. Implement measures, including those in the Future Jobs strategy, to diversify the economy and improve the productivity of Irish firms — SMEs in particular — by using more direct funding instruments to stimulate research and innovation and	**Some Progress.**

	necessary, using write-offs of non-recoverable exposures. *Split into Sub-CSRs*		by reducing regulatory barriers to entrepreneurship. *Split into Sub-CSRs*	
	• Foster the productivity growth of Irish firms, and of small and medium enterprises in particular, by stimulating research and innovation with targeted policies, more direct forms of funding and more strategic cooperation with foreign multinationals, public research centres and universities.	**Limited Progress.** Some measures have been introduced. A key step is the announcement of the EUR 3.16 billion capital funding under the 'Business, Enterprise and Innovation Priority Investments' to projects highlighted in Project Ireland 2040 over the five years until 2022. The third Innovation 2020 Progress Report outlines advances made in delivering the 140 actions. A Disruptive Technologies Innovation Fund has been endowed with EUR 500 million and the first call for proposals launched. Yet the R&D efforts of most domestic firms continue to be moderate, tax credits remain the main instrument of public R&D support (accounting for 80 % of total public R&D spending) and science-business linkages continue to be weak. Public expenditure in R&D has decreased from EUR 951 m in 2016 to EUR 907 million in 2017. Measures have been announced to produce a new 'Future Jobs' programme that would enact measures specifically targeted to increase productivity growth of Irish firms and diversify exports.	• Focus investment-related economic policy on low carbon and energy transition, the reduction of greenhouse gas emissions,	**Some Progress.** Some Progress Ireland adopted the Climate Action Plan 2019, which represents a major step towards more ambitious policies and measures to advance in the transition towards a climate neutral economy. The plan should help steer public, business and household investment towards low greenhouse gas projects. However, the impact of the plan on actual investment decisions will materialise fully only once the implementation of the range of measures and policies progresses over the coming years. The increase in the carbon tax to €26 per ton and the stated intention to increase the tax to €80 per ton by 2030 also sends a positive price signal. In turn, the decision to raise the shadow price of carbon in the Public Spending Code will enable Ireland to better integrate climate impacts in public investment decisions. Work also continues towards the adoption of a new Renewable Electricity Support Scheme. The National Development Plan 2018-2027 commits around €30 billion to address the climate and energy transition, including a substantial envelope for sustainable transport. However, the plan and the envelope dedicated to climate action will not be updated in light of the Climate Action Plan. A first call for applications under the €500 million Climate Action Fund led to the selection of seven projects that will receive €77 million of financial support. Ireland has not adequately assessed so far the (private and public) investment needs related to the transition towards a climate neutral economy, though this is important for the design of policies and measures.
			• sustainable transport,	**Some Progress.** A very substantial increase in public clean transport investment is still needed to ease congestion and reduce carbon emissions. The return to economic growth and the sparse spatial distribution of the population has led to a high share of workers commuting daily from outside the main

				cities. This has aggravated congestion in recent years and resulted in increasing CO2 emissions and costs. While the share of passengers using trains or buses increased by 0.8pps to 17.4% in 2017, the fleet of buses and trains is still highly reliant on diesel engine. The National Development Plan 2018-2027 has committed to promote urban compact growth, to transit to low emission buses fleets and to electrify partially the Dublin Commuter Train network. This, together with other key clean public transport projects proposed in the Plan, will require increasing investment in public transport by around 90% with respect to the previous decade. While in 2018 and 2019, investment in public transport has increased by 20% with respect to the two previous years, its share with respect to total transport investment has remained relatively flat. Rapidly moving key public transport projects from the project and planning phase to construction might help reduce emissions and congestion costs more rapidly.
			• water,	**<u>Some Progress.</u>** Significant investment needs remain outstanding in the water and wastewater sectors as very high leakage rate in its water supply systems persists and country breaches the requirements of the Urban Waste Water Treatment Directive (only 42% of the wastewater generated by large urban areas was treated at complying plants).To address it, the Government has approved an investment plan to support the country's operation, repair and upgrading of the country's water and wastewater infrastructure. The amount foreseen is significant and appears to be sufficient, in order to cover the needs in the sector, as identified both by the national authorities and an OECD study about to be published, and allow Ireland to reach compliance with the respective legal requirements.
			• digital infrastructure	**<u>Some Progress.</u>** Significant investments have been made in digital infrastructure and the public-funded part of the National Broadband Plan has become ready to start in 2019.

			• and affordable and social housing, taking into account regional disparities.	**<u>Some Progress.</u>** Even though social home delivery has accelerated since 2015, there were still 68,000 households on social housing waiting lists and more than 10,000 homeless people in Ireland in July 2019. Policy measures to increase the supply of social housing are in place but their effectiveness is still limited. Rebuilding Ireland, the Government's 6-year action plan seeks to meet the housing needs of 138,000 households. This will be delivered through the provision of 50,000 new social housing units by 2021, through build, acquisition and leasing programmes, and supporting 88,000 households through a housing assistance payment and a rental accommodation scheme. As of Q2 2019, the delivery has slightly exceeded its targets in each year of Rebuilding Ireland. If implementation continues according to plans, Rebuilding Ireland will provide social housing to over 73% of households on the current waiting list.
			• Implement measures, including those in the Future strategy, to diversify the economy and improve the productivity of Irish firms - small and medium enterprises in particular - by using more direct funding instruments to stimulate research and innovation	**<u>Some Progress.</u>** Enterprise Ireland supports Collaborative Innovations between industry and third level institutions (Technology Gateways), in-company R&D projects, participation in Technology Centres and development of Knowledge Transfer Ireland while Call 2 under the Disruptive Technology Innovation Fund (DTIF) supports 16 projects with €65 million to 2022 for a wide range of activities. In addition, Phase 2 funding for Science Foundation Ireland supports six Science Foundation Ireland (SFI) Research Centres with €230 which is matched by industry. However, although public research funding is increasing in absolute terms, it is still below levels in earlier years and Ireland is unlikely to achieve its R&D intensity target of 2.5% of GNP within the timeframe of 2020. It also remains the case that the bulk of public support for R&I in firms is through the Research and Development tax credit, rather than direct support, although adjustments in Budget 2020 target the tax credit more at micro and small companies.

			• and by reducing regulatory barriers to entrepreneurship.	**Some Progress.** While the Retail Planning Guidelines have not been reviewed, the Irish Authorities have taken some steps to address barriers to opening new shops by setting up the new Planning Regulator and implementing initiatives to make city centres more attractive using an Urban Regeneration Fund. The tackling of barriers in the market for legal services lacks ambition and is much delayed. Since the adoption of the Legal Services Regulation Act of 2015, restrictions remain in place in the provision of legal services, hampering competition and thus increasing legal costs, to the detriment of small businesses in particular. Implementation of the Act is ongoing with preparatory work and public consultations, but concrete measures are yet to materialise.
	• Promote faster and durable reductions in long-term arrears by the use of secondary markets, building on initiatives for vulnerable households and, where necessary, using write-offs of non-recoverable exposures.	**Substantial Progress.** The pace of NPL reduction is picking up pace as the banks have sold, or agreed to sell, a significant portion of their NPL stocks. With these, the headline NPL ratio (ECB data) should decline to around 7% by mid-2019. However, risks remain. Although some of the disposed assets include long-term mortgage arrears, the size of the latter remains high, both in percentage and absolute terms. Also, a potential worsening in economic conditions, especially given the uncertainty over the UK's departure from the EU in 2019, could result in an above-average worsening of credit quality for restructured loans, even those that have transitioned into performing status. Several recent policy initiatives, mostly launched by opposition parties, may hamper the recent positive developments. Meanwhile, the take up of the Enhanced Mortgage-to Rent scheme, which was introduced in 2017 to support vulnerable debtors that are in deep distress, is improving, although it is too early to tell if the measure will have a meaningful impact. In turn, the		

		take up insolvency procedures continues to be relatively dismal.		

EL	2018 CSRs	Assessment of implementation of 2018 CSRs February 2019	2019 CSRs SGP: - MIP: CSR 1, 2	Assessment of implementation of 2019 CSRs February 2020
	To avoid duplication with measures set out in the Economic Adjustment Programme, there are no additional recommendations for Greece.		1. Achieve a sustainable economic recovery and tackle the excessive macroeconomic imbalances by continuing and completing reforms in line with the post-programme commitments given at the Eurogroup of 22 June 2018.	**Some Progress.** The implementation of this CSR is monitored under enhanced surveillance. Greece has taken the necessary actions to achieve all specific reform commitments for mid-2019 and efforts towards meeting the end-2019 commitments are ongoing. This overall assessment of country-specific recommendation 1 does not include an assessment of compliance with the Stability and Growth Pact. The compliance assessment with the Stability and Growth Pact will be included in Spring when final data for 2019 will be available.
			2. Focus investment-related economic policy on sustainable transport and logistics, environmental protection, energy efficiency, renewable energy and interconnection projects, digital technologies, R&D, education, skills, employability, health, and the renewal of urban areas, taking into account regional disparities and the need to ensure social inclusion.	**Some Progress.** In terms of horizontal investment-conducive economic policies, Greece has taken important steps. Since the adoption of the CSR, the government has adopted several pieces of legislation to foster the transition to a 'digital state' and to promote private investment, notably through the Development Law of last October. The latter paved the way for a streamlining of the investment licencing procedures and introduced changes in spatial planning to accelerate major investment projects. The law also aims to increase clarity and transparency on land use rules to investors through the introduction of a 'Single Digital Map'. Meanwhile, in the area of land use, reforms are advancing with the completion of forest maps for nearly 95% of the country and continued work in cadastral mapping, while in the area of justice, reforms have been slow overall. Efforts to fight corruption are ongoing. The authorities have also taken steps towards a coordinated approach to promoting the outward orientation of the Greek economy and attracting foreign investment, and have greatly strengthened momentum in the privatisation process that could have a positive impact on investment.

			Split into Sub-CSRs	In quantitative terms, investment appears to be slowly recovering following a protracted contraction period. During the first half of 2019, investment increased by a mere 0.7%, as compared to an average 4.7% in the euro area. In the second quarter of 2019, it remained broadly flat (-0.1%) compared to the same period last year. Looking backwards, investment (as a share of GDP) fell sharply during the crisis years 2007-2014 and bottomed out only in 2015 to reach 11.1 % of GDP in 2018. In what follows, the analysis reviews public investment trends for the priority areas identified in the second CSR.
			• Focus investment-related economic policy on sustainable transport and logistics,	**Limited Progress.** According to the Global Competitiveness Report 2019, Greece ranks 39th in terms of transport infrastructures, out of 141 countries assessed and 18th among EU countries. Meanwhile, the share of energy from renewable resources used for transport accounted for only 1.7% in 2016, against a 10% target set for 2020. Greece also ranks 42nd in logistics, according to the Logistics Performance Indicator of the World Bank. Investment in transport averaged 1.7% of GDP in the first three quarters of 2019, having increased since 2018 (1.4% of GDP), but remain below the euro area average (2% of GDP). Moreover, despite sizeable EU financing, the country's main railway axis Patras-Athens-Thessaloniki remains incomplete, hindering the multimodality of the transport system and negatively affecting the transport cost of goods and thus price competitiveness. The authorities have prepared, with the support of the European Commission and the European Investment Bank, a National Transport Master Plan that, among others, sets the framework for investments in transport infrastructure. Meanwhile, a number of large investment projects are delayed, including the construction of the Thessaloniki metro system, the expansion of the Athens metro system, and the completion of railway sections.

			• environmental protection, energy efficiency, renewable energy and interconnection projects,	**Some Progress.** In the field of environmental protection, Greece suffers from serious and long-standing inefficiencies, notably in the management of solid waste and water waste. The situation in Attica, which produces half of total solid waste in the country, is of particular concern. Investment in environmental protection is relatively low and Greece runs the risk of not meeting the EU-wide recycling target (50%) by 2020. A number of investment projects, co-financed by the EU, are underway to improve wastewater treatment in Western Attica and in the municipality of Marathonas and to improve waste management in Peloponnese. Meanwhile, law 4643/2019 introduced amendments regarding the development of installations for electric vehicles, and an inter- ministerial committee has been set up to design by June 2020 a strategic plan for the development of electro-mobility in Greece. The authorities are also currently revising, as envisaged by the EU legislation, their national and regional Waste Management Plans; their finalization is expected by July 2020. On energy-related investments (energy efficiency, renewable energy and interconnection projects), some progress has been made. In December 2019, the authorities submitted the revised 2021-2030 National Energy and Climate Plan that sets out long-term goals and strategies in these areas and provides the basis for further investment. On energy efficiency, Greece is on track to meet its 2020 goals and, by 2019, investments co-financed by the EU had improved energy efficiency for 19,100 households. Programmes such as the 'Energy saving at home' and 'Electra' will further improve energy efficiency for household and public buildings (law 4643/2019 introduced amendments on the program ELEKTRA allowing energy service companies to participate in the development and financing of energy upgrading projects). On renewables, law 4643/2019 introduced amendments to facilitate large investment projects, in-

				cluding the construction of hybrid plants in non-interconnected islands, while the government has announced further measures to streamline the investment-licensing framework in the area of renewable energy sources. On interconnection projects, the National Energy and Climate Plan provides a timeline for non-interconnected islands; the first phase of a major project connecting Crete to the mainland electricity transmission grid is underway, the construction of the Crete-Peloponnese interconnection is expected to be completed in 2020, and the interconnection of West Cyclades islands is scheduled for 2023.
			• digital technologies,	**Some Progress.** Greece has one of the least advanced digital economies in the EU. Integration of information and communication technologies in Greek businesses is low, the percentage of small and medium-sized enterprises selling online remain at 11% and their e-commerce turnover stays low at 4%. Investments in information communication technology (as a share of total investment) increased with some fluctuations in the first two quarters of 2019 compared to the same quarters of 2017, but rose slightly as a share of GDP. In terms of policies, the authorities are working on a new national strategy ('Digital Bible') that, among others, will include a pipeline of IT investment projects for the entire public administration. Meanwhile, the authorities are taking steps as regards important projects (creation of a unified platform for electronic services, introducing digital identity cards for all citizens, developing the infrastructure on 5G networks and increasing ultrafast broadband coverage).
			• Research and development,	**Some Progress.** Despite steady increases in total spending on research and development since 2010, Greece is still lagging behind the euro area average (1.18% for Greece in 2018 compared to 2.11% for EU). Nonetheless, there are persisting weaknesses, with the loss of skilled human capital remaining a major challenge. Despite a relative

				high engagement of businesses in innovative activities, the production of academic research is not appropriately oriented to support the productive sector, as reflected by the low number of patents. Further, large disparities in innovation capacities remain, due to lack of robust governance, including low administrative capacity and weak coordination mechanisms. In December 2019, the authorities completed the evaluation of 2,912 proposals submitted in the context of the flagship call "Research-Create-Innovate". Overall, the budget of all announced calls regarding research and development has reached €877 million.
			• Education,	**Limited Progress.** Public expenditure in education is among the lowest in the EU and has contracted in recent years. Nevertheless, with the help of the European Social Fund, investments have taken place, among others, to reduce early school leaving, expand early childhood education, upgrade the vocational education and training system, expand dual learning, and reform higher education. In term of policy developments, law 4653/2020 allowed for increased independence of the Hellenic Authority of Higher Education and it helped standardise university evaluations, which could, in turn, facilitate performance-based funding, and increase efficiency.
			• Skills,	**Limited Progress.** The number of companies that provide training and vocational programmes to develop and/or upgrade the information and communication technology skills of their personnel increased slightly in 2019 (from 14% to 15%), but remains well below the euro area average (25%). Participation of adults (aged 25-64) in education and training stood at 4.5% in 2018, one of the lowest in the euro area, where the average was 11.5%.
			• Employability,	**Limited Progress.** Public expenditure on active labour market policies accounted for 0.18% of GDP in 2017, less than in most other EU member states. Moreover, the impact of policies on employability has been hampered by a flawed delivery model, the reform of which has started only recently, by a

				lack of monitoring and evaluation that would allow for design improvements, as well as by low quality of some training programmes that has not yet been sufficiently addressed. On the positive side, investment in the programme of childcare vouchers has increased with a view to facilitating labour market participation of women. Meanwhile, the 'Post-Lyceum Year - Apprenticeship Class in Greece' programme, providing participants with better employment prospects, has expanded with steady increases in the number of apprentices, areas of specialisation and number of schools.
			• Health,	**Limited Progress.** Largely as a legacy of the crisis, few investments took place in the health sector between 2010 and 2017. In particular, investments in health accounted for 0.1% of GDP in 2017, while expenditure on health decreased with some fluctuations, until it reached just over 5.2% in 2017. Meanwhile, EU financing though the European Social Fund has contributed to the reform of primary health care and the rolling out of a network of local healthcare units (TOMYs) to strengthen access to primary healthcare. Around 130 units were in operation by the end of 2019.
			• And the renewal of urban areas, taking into account regional disparities and the need to ensure social inclusion.	**Limited Progress.** Some investments have been made or are planned to promote equal opportunities and facilitate social inclusion of marginalized groups in disadvantages urban areas. As regards social inclusion, public expenditure for family support or housing was considerably below the EU average in 2017. Investment in minimum income support has decreased, as the parameters of the scheme have not been updated since its introduction in 2017. On the other hand, Greece has invested, with support from the European Social Fund, in expanding the network of community centres, which facilitate citizens' access to social services at local level, and it has introduced a means-tested housing benefit in 2019.

ES	2018 CSRs SGP: CSR 1 MIP: CSR 1, 2, 3	Assessment of implementation of 2018 CSRs February 2019	2019 CSRs SGP: CSR 1 MIP: CSR 1, 2, 3, 4	Assessment of implementation of 2019 CSRs February 2020
	1. Ensure compliance with Council Decision (EU) 2017/984 giving notice under the excessive deficit procedure, including through measures to enforce the fiscal and public procurement frameworks at all levels of government. Thereafter, ensure that the nominal growth rate of net primary government expenditure does not exceed 0,6 % in 2019, corresponding to an annual structural adjustment of 0,65 % of GDP. Use windfall gains to accelerate the reduction of the general government debt ratio.	**Limited Progress** (this overall assessment of compliance with CSR 1 does not include an assessment of compliance with the Stability and Growth Pact). In June 2019, the Commission evaluated compliance with the SGP in its assessment of the 2019 Stability Programme for Spain (without using or referring to the assessment grid used for other CSRs): *"In 2018, Spain achieved a headline deficit of 2.5% of GDP, above the EDP target of 2.2% of GDP. Moreover, the fiscal effort has not been delivered neither on the basis of the top-down nor the bottom-up method. However,* ***as the headline deficit was below the reference value of 3% of GDP and is expected to remain so over the forecast horizon, Spain is considered to have durably corrected its excessive deficit in a timely manner.*** ***Spain plans a growth rate of government expenditure, net of discretionary revenue measures that is not in line with the applicable expenditure benchmark rate in neither 2019 nor 2020 and plans a small deterioration in the recalculated structural balance of 0.1 percentage points in 2019 and an improvement of 0.7 percentage points in 2020. This path implies a deviation of 0.9% of GDP from the required adjustment path towards the MTO in 2019.*** *In 2020, on the other hand, the planned progress towards the MTO appears appropriate. However, according to the Commission 2019 spring forecast, there is a risk of significant deviation both in 2019 and 2020 following an overall assessment.*	1. Ensure that the nominal growth rate of net primary government expenditure does not exceed 0,9 % in 2020, corresponding to an annual structural adjustment of 0,65 % of GDP. Take measures to strengthen the fiscal and public procurement frameworks at all levels of government. Preserve the sustainability of the pension system. Use windfall gains to accelerate the reduction of the general government debt ratio.	**Limited Progress** (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact; the Stability and Growth Pact compliance assessment will be added to the table once the Commission has carried out such an assessment, probably in May/June 2020, on the basis of final data for 2019).

	Split into Sub-CSRs	*Based on the Stability Programme, **compliance with the transitional debt rule is not ensured neither in 2019 nor in 2020**. This is confirmed by the Commission 2019 spring forecast. "* (p. 26)	Split into Sub-CSRs	
	• Ensure compliance with Council Decision (EU) 2017/984 giving notice under the excessive deficit procedure	*See grey part above.*	• Ensure that the nominal growth rate of net primary government expenditure does not exceed 0.9% in 2020, corresponding to an annual structural adjustment of 0.65% of GDP.	The compliance assessment with the Stability and Growth Pact will be included in Spring 2020 when final data for 2019 will be available.
	• including through measures to enforce the fiscal	**No Progress** in strengthening the fiscal frameworks.	• Take measures to strengthen the fiscal framework	**No Progress.**
	• and public procurement frameworks at all levels of government.	**Limited Progress.** A new law on public procurement introducing measures to enhance competition and ensure transparency and effective control mechanisms came into force on 9 March 2018. There are still not enough available data to allow a sound assessment of its impact yet. The set-up of the new governance structure, established under the new law, is ongoing. The elaboration of the Public and Procurement Strategy is still pending.	• and public procurement frameworks at all levels of government.	**Limited Progress.** Further progress on establishing an effective new governance structure for public procurement has been modest. Almost two years after the entry into force of the law on public sector contracts, the new governance structure is still not fully functioning. The elaboration of the Public Procurement Strategy foreseen for is delayed.
			• Preserve the sustainability of the pension system.	**No Progress.** Departures from the 2013 pension reform has been made on an ad-hoc basis through Royal Decree Laws. In particular, pensions have been revalued by inflation (CPI) rather than the Index of Pension Revaluation, resulting in a more rapid increase in pension expenditure. Moreover, the sustainability mechanism, which was supposed to kick-in in 2019 and which links initial pension levels to the evolution of life expectancy, was postponed to 2023.
			• Use windfall gains to accelerate the reduction of the general government debt ratio.	The compliance assessment with the Stability and Growth Pact will be included in Spring 2020, when final data for 2019 will be available.

	2. Ensure that employment and social services have the capacity to provide effective support for jobseekers, including through better cooperation with employers. Foster transitions towards open-ended contracts. Improve family support and increase the effectiveness of income guarantee schemes, by addressing coverage gaps, simplifying the system of national schemes and reducing disparities in access conditions to regional ones. Reduce early school leaving and regional disparities in educational outcomes, in particular by better supporting students and teachers. *Split into Sub-CSRs*	**Limited Progress.**	2. Ensure that employment and social services have the capacity to provide effective support. Foster transitions towards open-ended contracts, including by simplifying the system of hiring incentives. Improve support for families, reduce fragmentation of national unemployment assistance and address coverage gaps in regional minimum income schemes. Reduce early school leaving and improve educational outcomes, taking into account regional disparities. Increase cooperation between education and businesses with a view to improving the provision of labour market relevant skills and qualifications, in particular for information and communication technologies. *Split into Sub-CSRs*	**Limited Progress.**
	• Ensure that employment and social services have the capacity to provide effective support for jobseekers, including through better cooperation with employers.	**Some Progress.** Spain has slightly but steadily increased the economic and human resources of regional public employment services since 2017 and approved a technical guidance to better provide services to jobseekers. The new government launched an Action Plan for Youth Employment that includes a budgetary allocation to hire 3 000 new staff to increase support and guidance for young unemployed. However, total public employment services staff and expenditure are still lower than before the crisis. The performance of the public employment services is uneven across regions. Measures to provide individualised services to jobseekers, including through profiling and IT tools, are still in an initial phase. Furthermore, Spain had in 2017 the lowest share in the EU	• Ensure that employment services have the capacity to provide effective support.	**Some Progress.** During 2019 the hiring of the 3 000 new staff by the regional public employment services (PES) started, as envisaged in the 2019-2021 Action Plan for Youth Employment and the 2019-2021 ReincorporaT plan for the long-term unemployed. Both plans contain positive features to improve the effectiveness and outreach of PES and active labour market policies (ALMP), and have been complemented with other measures (e.g., the 2019-2021 call for proposals corresponding to subventions for training courses for employees). Measures to provide individualised services to jobseekers, including through profiling and IT tools, are slowly being developed. Average spending on ALMP measures per unemployed person remains low and only 1 in 4 unemployed use PES for job search. Large regional disparities remain concerning the performance of regional PES.

		of unemployed people using public employment services for job search.	• Ensure that social services have the capacity to provide effective support.	**Some Progress.** Coordination between employment and social services continues to be enhanced. Two new working groups were created in 2019 as part of the Social Inclusion Network (RIS), while three pilot projects to improve the coordination started in three regions. Further political involvement in some regions is allowing faster progress. The deployment of the Universal Social Card has continued in 2019 but its use at regional level remains limited.
	• Foster transitions towards open-ended contracts	**Some Progress.** Spain approved in July 2018 an Action Plan to tackle the sources of labour market segmentation. In addition, the capacity of labour inspectorates to fight the abuse of temporary contacts and undeclared work was further strengthened. However, temporary contracts are still widely used and there are doubts about the effectiveness of existing incentives to promote open-ended employment. In the public sector, recruitment competitions are ongoing to reduce fixed-term employment down to 8 % in all sectors. However, estimates show still high shares of temporary employees in the public sector.	• Foster transitions towards open-ended contracts,	**Limited progress.** Spain continues to have the highest share of employees on temporary contracts in the EU, despite the increase of open-ended contracts among newly created jobs. The strengthened capacity of labour inspectorates, along with the action plans in the frame of the Master Plan for Decent Work, are contributing to the conversion of fixed-term contracts in open-ended contracts. However, temporary contracts are widespread even in sectors with little seasonality (including the public sector), and their duration is increasingly shorter (50 days on average during the year 2019, with 30% of all temporary contracts shorter than one week). Measures such as the increase of the social security costs for contracts shorter than 6 days are not having a clear effect yet. The organisation of recruitment competition to reduce fixed-term employment in the public sector sped up in 2019, but the share of public sector employees on temporary contract remains well above the 8% target set for the end of the 2020 recruitment competitions.
			• including by simplifying the system of hiring incentives.	**Limited Progress.** Hiring incentives account for around 40% of total spending on ALMP, despite the lack of evidence on the positive effects of these subsidies for promoting quality employment. The Government removed some hiring incentives at the end of 2018, such as the "Contract for support to entrepreneurs". However, the plans for the young and the long-term unemployed contain new forms of hiring incentives. The ongoing spending review on hiring incentives carried out by AIReF

				(due by mid-2020) may provide helpful inputs on avenues for reform.
	• Improve family support and increase the effectiveness of income guarantee schemes, by addressing coverage gaps, simplifying the system of national schemes and reducing disparities in access conditions to regional ones.	**Limited Progress.** The poverty-reducing impact of social transfers (other than pensions) remains one of the lowest in the EU, especially for children. Meanwhile, the share of poor working age people living in jobless households in receipt of benefits is well below the EU average and public spending on family benefits is almost half of the EU average. Fragmentation and disparities in access conditions across regions continue to undermine the effectiveness of the multiple income guarantee schemes. The new Universal Social Card envisages collecting information from central, regional and local government on all benefits and recipients, but it will not directly address the weaknesses of the existing schemes.	• Improve support for families,	**Limited Progress.** The overall impact of social transfers (other than pensions) in reducing child poverty in Spain remains the lowest in the EU. This partly reflects the low coverage and adequacy of family benefits. Means-tested child benefits target only the most deprived (around one in two children at risk of poverty or social exclusion do not receive it) and tax allowances are of limited benefit for low-to-medium income families, which determines a regressive pattern of the financial support to families with children. Steps taken in 2019 to fight child poverty are an improvement but do not match the extent of the challenge. The rise in the child benefit for poor families is the first in 18 years and is having limited effects, as it is not helping to reduce the risk of poverty and is having a very limited impact on the reduction of the poverty gap.
			• reduce fragmentation of national unemployment assistance	**Limited Progress.** There has been no further progress in this area during 2019. Political deadlock has postponed the government plans to streamline the multiple schemes of non-contributory unemployment assistance at national level, while the announced development of a subsistence minimum income is on hold. The report commissioned to AIReF and published in June 2019 offers interesting insight that may help outline these plans.
			• and address coverage gaps in regional minimum income schemes.	**Limited Progress.** The take up of regional minimum income schemes remains very limited in average, estimated at around 20% of potential beneficiaries, although some regions are showing positive results. Amounts, and consequently impact on poverty reduction, present large regional disparities, and three regions still make the right to a means-tested minimum income conditional on budget availability. The issue of portability of the benefits across regions remains unsolved.
	• Reduce early school leaving and regional	**Limited Progress.** Despite having improved, early school leaving rates are still high and regional disparities persist. The early school leaving rate is still well above	• Reduce early school leaving	**Limited Progress.** Early school leaving (ESL) rate remains the highest in the EU and regional disparities persist, with 20 pps difference between the best and the worst performing regions. The ESL

	disparities in educational outcomes, in particular by better supporting students and teachers.	the EU average and the national Europe 2020 target, with a difference of 20 pps. between the best performing and the worst performing regions. In the absence of effective policy measures, there is a risk that labour market improvements create negative incentives for young people to drop out of school prematurely. Existing coordination schemes between national and regional administrations are not sufficient to address regional disparities in education and training outcomes.		rate keeps decreasing but at a slower pace than in previous years. Measures adopted try to mitigate the challenge but are of limited scope.
			• and improve educational outcomes, taking into account regional disparities.	**Limited Progress.** Levels of basic skills measured through the 2018 PISA survey have worsened slightly, amid significant differences across regions. Grade repetition in primary and lower secondary school remains very high.
			• Increase cooperation between education and businesses with a view to improving the provision of labour market relevant skills and qualifications,	**Some Progress.** Cooperation between education institutions and business remains weak but improving, in a context of strong skills mismatches. The new Strategic Plan for Vocational Education and training (VET) may play a role in reducing skills mismatches and early school leaving, once fully implemented. It should help in making VET more responsive to the needs of the productive system, by expanding the range of courses, increasing the number of places and strengthening the system of distance learning. The business sector's role in the design of qualifications is being reinforced.
			• in particular for information and communication technologies.	**Some Progress.** The recently adopted 2019-2022 VET Strategy proposes including a module on digitisation in all VET programmes at all levels. It also intends to ensure that the VET programmes cover the needs of the new digital sectors. Work is underway on a Digital Skills National Strategy. Basic digital skills levels remain below the EU average and the proportion of ICT specialists represents a lower percentage of the workforce compared to the EU average. Female ICT specialists account for a mere 1.1% of total female employment.
	3. Increase public investment in research and innovation and systematically carry out evaluations of support policies in this area to ensure their effectiveness. Increase cooperation between education and businesses with a view to mitigating existing skills mismatches. Further the implementation of the	**Limited Progress.**	3. Focus investment-related economic policy on fostering innovation, resource and energy efficiency, upgrading rail freight infrastructure and extending electricity interconnections with the rest of the Union, taking into account regional disparities. Enhance the effectiveness of policies supporting research and innovation.	**Limited Progress.**

	Law on Market Unity by ensuring that, at all levels of government, rules governing access to and exercise of economic activities, in particular for services, are in line with principles of that Law and by improving cooperation between administrations. *Split into Sub-CSRs*		*Split into Sub-CSRs*	
	• Increase public investment in research and innovation and systematically carry out evaluations of support policies in this area to ensure their effectiveness.	**Limited Progress.** Spain made limited progress in increasing public investment in research and innovation so far. The level of public investment in R&D remains unchanged in the absence of a new Budget Law for 2019. There have been limited steps to enhance the evaluation of research and innovation policies.	• Focus investment-related economic policy on fostering innovation,	**Limited Progress.** Spain has made limited progress on increasing investment in research and innovation. Efforts to increase R&D investment by both large and small firms through improved public support for private investments have seen limited progress. The rationale of R&I policy initiatives is not always clear. Some of the new political initiatives/strategies (IA, Blue Economy, Start Up) lack a budget, coordination with existing strategies, and an assessment of their potential impact.
	• Increase cooperation between education and businesses with a view to mitigating existing skills mismatches.	**Limited Progress.** Cooperation between universities and businesses remains weak, albeit improving, with initiatives to increase business participation in the decision-making process. Despite the high tertiary education attainment, skills supply is not sufficiently aligned with labour market needs. Matching initial vocational education and training (VET) with labour market needs is still a challenge in Spain. Spain lacks enough skills for smart specialisation, industrial transition and entrepreneurship.	• resource efficiency	**Limited Progress.** Overall, Spain has not increased environmental investments in 2019. However, some good initiatives have been adopted or are under preparation. The first National Programme for Control of Air Pollution was approved by the Council of Ministers in September 2019. The Plan for Green Public Procurement in the central Administration for the period 2018-2025 was approved in December 2018; it has now to be implemented. A National Plan for Wastewater, Sanitation, Efficiency, Saving and Water reuse is under elaboration. The National Strategy on Circular Economy was prepared in 2018, but it has not been adopted yet.
	• Further the implementation of the Law on Market Unity by ensuring that, at all levels of government, rules governing access to and exercise of economic activities, in	**Limited Progress.** Some measures were taken to implement the Law on Market Unity with however limited effect. Measures include work on sectorial conference, training on the implementation of the law. Several favourable court rulings applying this Law were passed during this period.	• and energy efficiency,	**Some Progress.** Meeting the 2030 energy efficiency and consumption targets requires continued investments in energy efficiency, notably in buildings. Initiatives such as the National Plan for Energy Efficiency 2017-2020 and the National Fund for Energy Efficiency 2014-2020 can contribute to giving greater focus on investment in this area. In the building renovation sector, the State Plan for

	particular for services, are in line with principles of that Law and by improving cooperation between administrations.			the Housing Sector 2018-2021 includes the improvement of energy efficiency in buildings through assistance and aid programs.
			• upgrading rail freight infrastructure,	**Limited Progress.** Overall investments in rail transport infrastructure and in freight rail transport infrastructure have not increased in 2019.
			• extending electricity interconnections with the rest of the Union, taking into account regional disparities.	**Some Progress.** New electricity interconnectors are under development between France and Spain (Bay of Biscay) and between Spain and Portugal. There has been some progress on ongoing projects, but further support is needed. Spain continues to be actively involved in regional fora to extend electricity interconnections with the rest of the EU.
			• Enhance the effectiveness of policies supporting research and innovation.	**Limited Progress.** There has been limited progress on increasing the systematic use of evaluations of research and innovation policies. Some measures have been introduced to decrease red tape or to improve working conditions of researchers. Profound reforms to improve carriers of top researchers, to stimulate mobility and to promote jobs and carriers for industrial-based researchers are still lacking. Reforms to improve collaboration between public research and private firms are still missing. Coordination between Autonomous Communities and the national government could still be improved.
			4. Further the implementation of the Law on Market Unity by ensuring that, at all levels of government, rules governing access to and exercise of economic activities, in particular for services, are in line with the principles of that Law and by improving cooperation between administrations. *Split into Sub-CSRs*	**Limited Progress.**

			• Further the implementation of the Law on Market Unity by ensuring that, at all levels of government, rules governing access to and exercise of economic activities, in particular for services, are in line with the principles of that Law	**Limited Progress.** Some measures were taken to implement the Law on Market Unity with limited effect and progress is slow. The main measures are: a) the improvement of training for officials, b) awareness raising with publications on better market regulation, monthly publications on Market Unity, an improved web page, dissemination events, and c) the improvement of information and consolidation of doctrine.
			• and by improving cooperation between administrations.	**Limited Progress.** Improving cooperation between national, regional and local authorities is relevant to make progress. Some measures have been implemented/initiated such as: a) fostering relations with the network of contact points for the Law on Market Unity, b) fostering relations with other departments within the national authorities, c) improving the procedures for mechanisms laid down in Article 26 of Law on Market Unity, d) cooperation with sectorial conferences through the preparation of notes and e) improved cooperation with the competition authority. In spite of these measures, progress is slow.

FR	2018 CSRs SGP: CSR 1 MIP: CSR 1, 2, 3	Assessment of implementation of 2018 CSRs February 2019	2019 CSRs SGP: CSR 1 MIP: CSR 1, 2, 3, 4	Assessment of implementation of 2019 CSRs February 2020
	1. Ensure that the nominal growth rate of net primary government expenditure does not exceed 1,4 % in 2019, corresponding to an annual structural adjustment of 0,6 % of GDP. Use windfall gains to accelerate the reduction of the general government debt ratio. Implement expenditure savings in 2018 and fully specify the objectives and new measures needed in the context of Public Action 2022, for them to translate into concrete expenditure savings and efficiency gains measures in the 2019 budget. Progressively unify the rules of the different pension regimes to enhance their fairness and sustainability. *Split into Sub-CSRs*	**Limited Progress** (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact). In June 2019, the Commission evaluated compliance with the SGP in its assessment of the 2019 Stability Programme for France (without using or referring to the assessment grid used for other CSRs): *"Moreover, according to the Stability Programme, the headline general government deficit in 2019 is planned to increase to 3.1% of GDP, thereby exceeding the 3% of GDP reference value in the Treaty. The Commission has therefore prepared a report under Article 126(3) TFEU analysing whether France is compliant with the debt criterion in 2018 and with the deficit criterion of the Treaty in 2019. The report concluded, following an assessment of all the relevant factors, that the deficit and debt criteria as defined in the Treaty and in Council Regulation (EC) No 1467/97 should be considered as currently complied with.* ***For 2019, based on the information in the Stability Programme, the overall assessment points to a risk of significant deviation with respect to the adjustment path towards the MTO in 2019*** *(...)* *Based on the Stability Programme, France is not expected to* ***comply with the transitional debt rule in 2019*** *and 2020. This is confirmed by the Commission 2019 spring forecast. " (p .17)*	1. Ensure that the nominal growth rate of net primary expenditure does not exceed 1,2 % in 2020, corresponding to an annual structural adjustment of 0,6 % of GDP. Use windfalls gains to accelerate the reduction of the general government debt ratio. Achieve expenditure savings and efficiency gains across all sub-sectors of the government, including by fully specifying and monitoring the implementation of the concrete measures needed in the context of Public Action 2022. Reform the pension system to progressively unify the rules of the different pension regimes, with the view to enhance their fairness and sustainability. *Split into Sub-CSRs*	**Limited Progress** (this overall assessment of CSR1 does not include a compliance assessment of compliance with the Stability and Growth Pact; the Stability and Growth Pact compliance assessment will be added to the table once the Commission has carried out such an assessment, probably in May/June 2020, on the basis of final data for 2019).
	• Ensure that the nominal growth rate of net primary government	*See grey part above.*	• Ensure that the nominal growth rate of net primary expenditure does	The compliance assessment with the Stability and Growth Pact will be included in Spring when final data for 2019 will be available.

	expenditure does not exceed 1,4 % in 2019, corresponding to an annual structural adjustment of 0,6 % of GDP. Use windfall gains to accelerate the reduction of the general government debt ratio.		not exceed 1,2 % in 2020, corresponding to an annual structural adjustment of 0,6 % of GDP.	
	• Use windfalls gains to accelerate the reduction of the general government debt ratio.	The compliance assessment with the Stability and Growth Pact will be included in Spring when final data for 2018 will be available.	• Use windfalls gains to accelerate the reduction of the general government debt ratio.	The compliance assessment with the Stability and Growth Pact will be included in Spring when final data for 2019 will be available.
	• Implement expenditure savings in 2018 and fully specify the objectives and new measures needed in the context of Public Action 2022, for them to translate into concrete expenditure savings and efficiency gains measures in the 2019 budget	**<u>No Progress.</u>** It remains difficult to understand how exactly and with what timing "Action Publique 2022" would contribute to the objective of reducing the expenditure-to-GDP ratio by 3 percentage points by 2022. Available information shows weak adherence to the guidance for spending reviews agreed in 2016 at the level of the Eurogroup. Implementation risks seem high when looking at the track record of spending reviews in France and the relatively limited results produced. No significant expenditure savings and efficiency gains stemming from Public Action 2022 was included in the 2019 budget.	• Achieve expenditure savings and efficiency gains across all sub-sectors of the government, including by fully specifying and monitoring the implementation of the concrete measures needed in the context of Public Action 2022.	**<u>No Progress.</u>** Although efficiency gains can be expected from its implementation, the contribution of 'Public Action 2022' to the objective of reducing public spending by more than 3 percentage points of GDP over the presidential term is not at all specified. The programme does not envisage either an upfront or a concurrent quantification of the expected savings and macroeconomic impacts. Although it formally and fully replaces annual spending reviews as of 2018, the implications of this programme on the size and composition of public spending is lacking. Moreover, when information on potential savings is available, the savings are limited and their trajectory over time is not mentioned in any detail. That said, some of the measures under Public Action 2022 might actually imply an increase in spending.
	• Progressively unify the rules of the different pension regimes to enhance their fairness and sustainability.	**<u>Limited Progress.</u>** In October 2018, the Government presented the main principles of the future pension reform, which will replace the more than 40 regimes currently existing with a unique and universal pension system. Consultations with social partners are currently ongoing, while the adoption of the reform is scheduled by the end of 2019.	• Reform the pension system to progressively unify the rules of the different pension regimes, with the view to enhance their fairness and sustainability.	**<u>Limited Progress.</u>** The pension reform, originally announced for 2019, has been postponed. The draft law was sent to the parliament in February and its adoption is now planned in 2020 for implementation as of 1 January 2022. This reform intends to introduce a universal point-based system, replacing the currently co-existing 42 pension regimes. According to announcements, the new system aims to calculate the pension rights over the

				whole career for all categories of workers. The government has engaged in a broad consultation with social partners and stakeholders to gather the broadest consensus possible. The first generation concerned by the reform would be those born in 1975. For those already in the current system, only the years contributed to after 2025 would be calculated under the new system. Social partners would be responsible for guaranteeing the financial balance of the pension system. The return to balance of the pension system should be reached in 2027.
	2. Pursue the reforms of the vocational education and training system, to strengthen its labour market relevance and improve access to training, in particular for low qualified workers and jobseekers. Foster equal opportunities and access to the labour market, including for people with a migrant background and people living in deprived areas. Ensure that minimum wage developments are consistent with job creation and competitiveness. *Split into Sub-CSRs*	**Some Progress.**	2. Foster labour market integration for all job seekers, ensure equal opportunities with a particular focus on vulnerable groups including people with a migrant background and address skills shortages and mismatches. *Split into Sub-CSRs*	**Limited Progress.**
	• Pursue the reforms of the vocational education and training system, to strengthen its labour market relevance and improve access to training, in particular for low qualified workers and jobseekers.	**Substantial Progress** has been made to pursue the reforms of the vocational education and training (VET) system and improve access to training. The law on "freedom to choose one's professional pathway" (adopted in September 2018) reforms apprenticeship and continuous training to support labour market integration. Measures are being gradually implemented since January 2019 to increase the attractiveness of apprenticeship (accompanying measures for apprentices, financial incentives for SMEs). Comparative information on	• Foster labour market integration for all job seekers, ensure equal opportunities with a particular focus on vulnerable groups including people with a migrant background	**Limited Progress** has been made to foster labour market integration and ensure equal opportunities. On labour market integration, a number of measures have been announced or formally adopted. Their scope remains however limited and their deployment or actual effects have yet to be assessed. The Public Employment Service (Pôle Emploi) strategy was renewed and signed in January 2020. It provides additional guidance means in favour of job seekers, and ensure a better match with employers' recruitment needs. Limited measures and additional means have been provided to ensure equal opportunities. Their level of ambition

		the labour market relevance of apprenticeship pathways and school-based vocational education should be made available in the future. The law also facilitates access to continuous training through a revised, euro-based, personal training account granting increased rights to low-qualified and part-time workers. The governance of the VET system is overall reshaped and simplified with the establishment since January 2019 of a single national certifying authority "France compétences". A reform of school-based vocational education has been announced in 2018 and will be progressively introduced as of September 2019. In addition, a EUR 15 billion investment plan for skills (PIC) has been running since 2018 to train 1 million of young people and 1 million of low qualified job seekers by 2022. The plan is gaining pace in 2019, based on agreements on jobseekers trainings between the state and the regions, which are currently rolled out.		still appear limited considering the significant challenges faced by vulnerable groups in terms of both educational outcomes and integration into the labour market. Halving the class size in the first two grades to all disadvantaged schools implemented in September 2019 will not benefit an estimated 70% of disadvantaged pupils, as it has not been rolled out in targeted schools. Measures specifically targeting migrants have been rolled out since March 2019 through the reform of the national integration programme for newcomers, but its actual implementation remains to be seen.
	• Foster equal opportunities and access to the labour market, including for people with a migrant background and people living in deprived areas.	**<u>Limited Progress</u>** has been made in improving access and equal opportunities in the labour market for people living in deprived areas. A specific hiring premium for increasing labour market integration is being tested since April 2018, before possible mainstreaming. Moreover, professional orientation and internship opportunities are being currently strengthened at the level of lower secondary schools in these areas. Testing against discriminatory practices is currently under way. However, the focus is limited to bigger French enterprises. Concerning persons with a migrant background, little progress has been made in 2018, apart from the actions targeted at recently arrived migrants and actions in the field of education. A revision of the integration policy for	• and address skills shortages and mismatches.	**<u>Some Progress</u>** has been made in addressing skills shortages and mismatches in particular by implementing initial vocational education and training (VET) system reforms and improved access to lifelong learning. Access to lifelong learning through a revised, euro-based, personal training account granting increased rights to low- qualified and part-time workers is being enabled by the launching web-based application since November 2019. Free-of-charge targeted guidance, through the 'Conseil en evolution professionnelle', should be delivered at regional level. The quality and effect of the guidance on the use of the personal training account, particularly for more vulnerable people, needs further assessment. Limited progress has also been made addressing skills shortages. The main measures to address sectoral and macro-economic skills shortages are just at a preliminary

		recently arrived migrants focused on trainings to learn French (especially for professional purposes) and the mobilisation of economic actors to favour their access to the labour market (inter alia by closer monitoring and better recognition of qualifications and professional experiences). On education, the starting age of compulsory education was reduced to three years, targeting those few children who do not participate in early childhood education and care, most of whom are from disadvantaged and migrant backgrounds or live in overseas territories. The halving of class size in the first two grades of primary education was extended to all disadvantaged schools. The on-going upper-secondary and higher education reforms and in particular, strengthened guidance in upper secondary education as well as support measures to increase the completion rate in higher education and to increase the number of places reserved for holders of technological and vocational baccalauréat also supports the future employment rates of (disadvantaged) students.		stage, without any meaningful results for time being. For instance, several skills intelligence and forecasting exercises are being announced but have yet to be carried out.
	• Ensure that minimum wage developments are consistent with job creation and competitiveness.	**Some Progress** has been made in ensuring minimum wage developments are consistent with job creation and competitiveness. Since 2012, no ad-hoc hike of the minimum wage has been adopted. The minimum wage hence evolved following its automatic indexation rule, evolving below reference wages in the previous years. The implementation of the formula led to an increase of +1.5% in January 2019, aligned to inflation and reference wages evolutions observed in 2018. At the same time, the unemployment rate of the low-skilled remains in France at 17% end 2017 and 16.6% in the second quarter of 2018. Income of employees paid close to the minimum wage will be supported by an additional increase of 90		

		euros of the activity premium (at minimum wage level) associated to a decrease of employees' social contributions applied in October 2018.		
	3. Simplify the tax system, by limiting the use of tax expenditures, removing inefficient taxes and reducing taxes on production levied on companies. Reduce the regulatory and administrative burden to increase competition in the services sector and to foster firms' growth. Step up efforts to increase the performance of the innovation system in particular by improving the efficiency of public support schemes and strengthening knowledge transfer between public research institutions and firms. *Split into Sub-CSRs*	**Some Progress.**	4. Continue to simplify the tax system, in particular by limiting the use of tax expenditures, further removing inefficient taxes and reducing taxes on production. Reduce regulatory restrictions, in particular in the services sector, and fully implement the measures to foster the growth of firms. *Split into Sub-CSRs*	**Some Progress.**
	• Simplify the tax system, by limiting the use of tax expenditures, removing inefficient taxes and reducing taxes on production levied on companies.	**Some Progress** has been made in simplifying the tax system for businesses and removing inefficient taxes while very limited progress has been made to reduce taxes on production levied on companies. In particular, several measures have been announced and are being implemented to simplify the tax system (ESSOC law). Furthermore, a total of 17 inefficient taxes worth EUR 7.5 million will be discontinued in 2019. On tax expenditures, six inefficient tax expenditures are planned to be suppressed, while four new ones (worth EUR 1 billion) to be introduced. However, little has been done to reduce taxes on production weighing on companies: only one tax ("forfait social") is planned to be cut in 2019 (according to the budget law).	• Continue to simplify the tax system, in particular by limiting the use of tax expenditures, further removing inefficient taxes and reducing taxes on production.	**Some Progress** has been made in simplifying the tax system, in particular by implementing successfully the ESSOC law and withholding personal income tax. The 2020 Budgetary Plan builds on previous efforts to eliminate low taxes and phase out or cut several tax expenditures. In addition, French authorities have also announced an evaluation programme of 70 tax expenditures for 2020-2023. However, no progress has been made to reduce taxes on production factors, despite having been repeatedly identified as being a risk bearing on France's competitiveness.

	• Reduce the regulatory and administrative burden to increase competition in the services sector and to foster firms' growth.	**<u>Some Progress</u>** has been made in reducing the regulatory and administrative burden to increase competition in the services sector and to foster firms' growth. The 2018 'Loi pour un État au service d'une société de confiance' (ESSOC law) further simplified procedures, interactions and exchange of information with the public administration. A law supporting firms' growth (loi PACTE) is currently being discussed at the Parliament. It plans to reduce the number of thresholds related to size-dependent regulations based on the number of employees that firms face as they grow, and to introduce a five-year transitional period to give firms time to adjust when they cross these thresholds. To further support SME growth, the draft law promotes employees' incentives linked to firm performance by removing the so-called forfait social for firms with less than 50 employees. Barriers to competition in the services sector remain and reforms in specific sectors continue. For instance, the healthcare strategy (...) announced by the President in September 2018 aims to abolish the numerus clausus to access medical studies.	• Reduce regulatory restrictions, in particular in the services sector,	**<u>Limited Progress.</u>** On reducing regulatory restrictions, progress has been limited: regulatory restrictions were lifted in some areas but strengthened in others. Some competition-enhancing measures were adopted for the sale of automotive parts and driving schools under the LOM law and for complementary health insurance. Competition-enhancing measures were announced for other sectors (real estate property management (syndics), medical analysis laboratories, on-line sale of medicines, fintechs). The retail sector has been hit by additional restrictions on the period of sales (PACTE law), on promotion of food products (EGalim law), and on establishment of large shops (ELAN law).
	• Step up efforts to increase the performance of the innovation system in particular by improving the efficiency of public support schemes and strengthening knowledge transfer between public research institutions and firms.	**<u>Limited Progress.</u>** Several measures have been announced to improve the performance of the innovation system, with a particular focus on breakthrough innovation, e.g. the Innovation Council and the EUR 10 billion fund, but they still need to be fully implemented. Concerning the efficiency of public support schemes, the 4th Phase (2019-2022) of the competitiveness poles has been announced and the preliminary design suggests that some of the weaknesses identified in a previous evaluation have been addressed. The announced publication of the evaluations of the R&D tax credit have been repeatedly postponed and	• and fully implement the measures to foster the growth of firms.	**<u>Substantial Progress.</u>** The implementation of the PACTE law is well advanced. At the beginning of December 2019, 100 out of 137 measures were already implemented. The key measure to foster firms' growth (rationalisation of size-related regulatory thresholds and transition period) took effect on 1 January 2020.

		it is still due to date. Finally, more incentives for researchers in the public sector to collaborate with industry have been proposed in the PACTE law which has not been adopted yet.		
			3. Focus investment-related economic policy on research and innovation (while improving the efficiency of public support schemes, including knowledge transfer schemes), renewable energy, energy efficiency and interconnections with the rest of the Union, and on digital infrastructure, taking into account territorial disparities. *Split into Sub-CSRs*	**Some Progress.**
			• Focus investment-related economic policy on research and innovation (while improving the efficiency of public support schemes, including knowledge transfer schemes),	**Limited Progress.** Some evaluations of the R&D tax incentive (Crédit d'Impôt Recherche) have been carried out and point to a limited impact on innovation. Additional impact studies, focused on macroeconomic aspects, are on-going. The Innovation and Industry Fund is not yet operational as pointed by the Court of Auditors. More incentives for researchers working in the public sector to collaborate with industry have been proposed in the PACTE Law. Overall, the R&D&I system in France remains very complex with numerous funding tools and structures.
			• renewable energy, energy efficiency and interconnections with the rest of the Union,	**Some Progress.** France has been at the forefront in adopting commitments to fight climate change. France is likely to achieve its 2020 target to reduce greenhouse gas emissions, but is projected to miss its target on renewables. However, additional investment needs were properly quantified and planned through the Pluriannual programming energy law. Regarding energy interconnections, new electricity interconnectors are under development between France and Spain.

			• and on digital infrastructure, taking into account territorial disparities.	**<u>Some Progress.</u>** The main policy tool to address regional disparities in digital infrastructure is the plan French ultrafast broadband Plan (France Très Haut Débit). It aims at covering the whole territory with ultrafast broadband (fiber-to-the-home for 2022) by fostering private investment and compensating the lack of projects in remote areas with public investment (for a total of €3.3 bn in public spending).

HR	2018 CSRs SGP: - MIP: CSR 1, 2, 3, 4	Assessment of implementation of 2018 CSRs February 2019	2019 CSRs SGP: - MIP: CSR 1, 2, 3, 4	Assessment of implementation of 2019 CSRs February 2020
	1. Strengthen the fiscal framework, including by strengthening the mandate and independence of the Fiscal Policy Commission. Introduce a recurrent property tax. *Split into Sub-CSRs*	**Some Progress.**	1. Reinforce the budgetary framework and monitoring of contingent liabilities at central and local level. Reduce the territorial fragmentation of the public administration and streamline the functional distribution of competencies. *Split into Sub-CSRs*	**Limited Progress.**
	• Strengthen the fiscal framework, including by strengthening the mandate and independence of the Fiscal Policy Commission.	**Substantial Progress** in strengthening the fiscal framework. After a long delay, in December 2018 the Parliament adopted a new Fiscal Responsibility Act and a new State Audit Office Act. The adoption of the new Budget Act remains delayed.	• Reinforce the budgetary framework and monitoring of contingent liabilities at central and local level.	**Limited Progress.** The new Budget Act should improve both the short and medium term budgetary framework at central and local level and address vulnerabilities in the system of government guarantees, but it has still not been adopted.
	• Introduce a recurrent property tax.	**No Progress.** The introduction of a recurrent value-based property tax is no longer planned.	• Reduce the territorial fragmentation of the public administration and streamline the functional distribution of competencies.	**Some Progress.** In December 2019, the Croatian parliament adopted a new legal framework regulating agency-type institutions and introducing a higher degree of homogeneity across the system. Territorial fragmentation at local government level remains a challenge.
	2. Discourage early retirement, accelerate the transition to a higher statutory retirement age and align pension provisions for specific categories with the rules of the general scheme. Deliver on the reform of the education and training system to improve its quality and labour market relevance for both young people and adults. Consolidate social benefits and improve their poverty reduction capacity. *Split into Sub-CSRs*	**Some Progress.**	2. Deliver on the education reform and improve both access to education and training at all levels and their quality and labour market relevance. Consolidate social benefits and improve their capacity to reduce poverty. Strengthen labour market measures and institutions and their coordination with social services. In consultation with the social partners, introduce harmonised wage-setting frameworks across the public administration and public services. *Split into Sub-CSRs*	**Some Progress.**

	• Discourage early retirement, accelerate the transition to a higher statutory retirement age and align pension provisions for specific categories with the rules of the general scheme.	**Substantial Progress.** In December 2018 the parliament adopted an important package of pension system reforms aimed at addressing design inconsistencies in the system, improving pension adequacy through longer working lives, and strengthening the institutional setup and performance of the 2nd mandatory pillar.		
	• Deliver on the reform of the education and training system to improve its quality and labour market relevance for both young people and adults.	**Some Progress** in delivering on the reform of the education and training system. A number of measures have been set in motion, such as the launch of newly developed general education curricula as a pilot project. Other objectives set in the Education and Training 2020 Strategic Framework await adoption and implementation.	• Deliver on the education reform and improve both access to education and training at all levels and their quality and labour market relevance.	**Some Progress.** Croatia has started the incremental implementation of the curricular reform in all primary and secondary schools. In VET, the experimental programme 'Dual Education in VET' is being expanded. The adoption of occupation and qualification standards is proceeding slowly. Ongoing investments in Early Childhood Education and Care aims to increase availability and access.
	• Consolidate social benefits and improve their poverty reduction capacity.	**Limited Progress** in consolidating social benefits. A categorisation of the types of benefits granted at the local government level following the European System of integrated Social Protection Statistics nomenclature was completed. However, most policy measures remain in a preparatory phase.	• Consolidate social benefits and improve their capacity to reduce poverty.	**Limited Progress.** The authorities are in the process of establishing a categorisation and regular reporting mechanisms for the social benefits granted by the local government level. However, most policy measures are still at the preparatory stage.
			• Strengthen labour market measures and institutions and their coordination with social services.	**Some Progress.** The package of Active Labour Market Policy measures has been refocused to make them more effective. The Croatian Employment Service has developed and is testing new IT tools aimed at improving the mediation and referrals. It will be crucial to establish good monitoring system in order to evaluate the outcomes.
			• In consultation with the social partners, introduce harmonised wage-setting frameworks across the public administration and public services.	**Limited Progress.** The long-due legislation on civil- service wages, which aims to further harmonise wage setting across the central public administration (and at a later stage in the wider public sector) has been postponed, pending further analysis from an independent body.
	3. Reduce the territorial fragmentation of the public administration, streamline the func-	Limited Progress.	3. Focus investment-related economic policy on research and innovation, sustainable urban and railway transport, energy efficiency,	Limited Progress.

	tional distribution of competencies and enhance the capacity to design and implement public policies. In consultation with social partners, introduce harmonised wage-setting frameworks across the public administration and public services. *Split into Sub-CSRs*		renewables and environmental infrastructure, taking into account regional disparities. Increase the administration's capacity to design and implement public projects and policies. *Split into Sub-CSRs*	
	• Reduce the territorial fragmentation of the public administration, streamline the functional distribution of competencies and enhance the capacity to design and implement public policies.	**Some Progress** in the public administration reform. A substantial rationalisation of the cumbersome state agencies system – as a step towards simplification and efficiency – is ongoing. The territorial fragmentation at the local government level remains a challenge.	• Focus investment-related economic policy on research and innovation,	**Limited Progress.** Investment in R&D increased substantially, but its efficiency remains low and highly dependent on EU funds. Investment is focused towards 'close–to-market' initiatives run by bigger companies, leaving research activities underfunded.
	• In consultation with social partners, introduce harmonised wage-setting frameworks across the public administration and public services.	**Limited Progress** in harmonising wage-setting frameworks across the public administration and public services, as the relevant legislation remains in a preparatory phase.	• sustainable urban and railway transport,	**Some Progress.** Croatia signed several contracts for key railway projects in 2019 and opened the first new railway line in over 50 years. It made progress on expanding the TEN-T rail network but no significant progress on sustainable urban transport.
			• energy efficiency, renewables and environmental infrastructure, taking into account regional disparities.	**Limited Progress.** Energy efficiency of private and public buildings improved in 2019. However, there have been delays in adopting the necessary legislation and the energy efficiency obligation scheme is not yet fully operational. Despite advanced project selection, progress in the implementation of the water and waste infrastructural projects remains limited. Investment in wind and solar energy is hampered by administrative hurdles and by delays in putting in place the premium support scheme.
			• Increase the administration's capacity to design and implement public projects and policies.	**Limited Progress.** The authorities established an institutional framework for strategic planning, also at the local level. However, it has not yet been im-

				plemented. The overarching National Development Strategy for 2030 has not yet been adopted. Inefficiencies resulting in limited administrative capacities have not been properly addressed either.
	4. Improve corporate governance in state-owned enterprises and intensify the sale of state-owned enterprises and non-productive assets. Significantly reduce the burden on businesses arising from parafiscal charges and from cumbersome administrative and legislative requirements. Enhance competition in business services and regulated professions. Reduce the duration of court proceedings and improve electronic communication in courts. *Split into Sub-CSRs*	**Some Progress.**	4. Improve corporate governance in State-owned enterprises and intensify the sale of such enterprises and non-productive assets. Enhance the prevention and sanctioning of corruption, in particular at the local level. Reduce the duration of court proceedings and improve electronic communication in courts. Reduce the most burdensome parafiscal charges and excessive product and services market regulation. *Split into Sub-CSRs*	**Limited Progress.**
	• Improve corporate governance in state-owned enterprises and intensify the sale of state-owned enterprises and non-productive assets.	**Limited Progress.** A new Corporate Governance Code has been implemented, and obligatory reporting on business plans and performance has been introduced in all major state-owned enterprises. Disposal of state assets has progressed slowly due to delays in adoption of required legislation.	• Improve corporate governance in State- owned enterprises and intensify the sale of such enterprises and non-productive assets.	**Limited Progress.** Croatia adopted an obligation to introduce a compliance function in all majority-owned state-owned enterprises was adopted. The disposal of state assets is slowly progressing.
	• Significantly reduce the burden on businesses arising from parafiscal charges and from cumbersome administrative and legislative requirements.	**Some Progress** in reducing the burden on business. There has been some progress with the continuation of removal of identified administrative burden and limited progress with the removal of parafiscal charges.	• Enhance the prevention and sanctioning of corruption, in particular at the local level.	**Limited Progress.** Although Croatia adopted legislation on the protection of whistle-blowers (effective from July 2019) the resources allocated to the Ombudsman's office, in charge of whistle-blower protection, are insufficient. No clear progress was made on other initiatives needed to prevent and penalise corruption, at national and local level.
	• Enhance competition in business services and regulated professions.	**Limited Progress** in enhancing competition in business services and regulated professions. The implementation of some measures to remove excessive restrictions has finally started, most notably in passenger transport, audit and education.	• Reduce the duration of court proceedings and improve electronic communication in courts.	**Some Progress.** Croatia is gradually extending the use of electronic communication and has reduced backlogs in commercial courts.

	• Reduce the duration of court proceedings and improve electronic communication in courts.	**Some Progress** in the judicial system reform. Backlogs in courts have been reduced and progress was made with implementation of electronic communication. Mergers of courts effective as of January 2019 are expected to increase efficiency.	• Reduce the most burdensome parafiscal charges.	**Limited Progress.** There has been limited progress in reducing or removing parafiscal charges. The register of parafiscal charges was updated in 2019.
			• and excessive product and services market regulation.	**Some Progress.** A number of action plans and measures aimed at the alleviation of excessive administrative obligations for entrepreneurs were adopted, as well as liberalisation measures in selected professional services.

IT	2018 CSRs SGP: CSR 1 MIP: CSR 1, 2, 3, 4	Assessment of implementation of 2018 CSRs February 2019	2019 CSRs SGP: CSR 1 MIP: CSR 1, 2, 3, 4, 5	Assessment of implementation of 2019 CSRs February 2020
	1. Ensure that the nominal growth rate of net primary government expenditure does not exceed 0,1 % in 2019, corresponding to an annual structural adjustment of 0,6 % of GDP. Use windfall gains to accelerate the reduction of the general government debt ratio. Shift taxation away from labour, including by reducing tax expenditure and reforming the outdated cadastral values. Step up efforts to tackle the shadow economy, including by strengthening the compulsory use of e-payments through lower legal thresholds for cash payments. Reduce the share of old-age pensions in public spending to create space for other social spending. *Split into Sub-CSRs*	**No Progress** (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact). In June 2019, the Commission evaluated compliance with the SGP in its assessment of the 2019 Stability Programme for Italy (without using or referring to the assessment grid used for other CSRs): *"As regards 2019, Italy was recommended to ensure that the nominal growth rate of net primary government expenditure does not exceed 0.1%, corresponding to an annual structural adjustment of 0.6 % of GDP.* ***The Commission 2019 spring forecast expects Italy's structural balance to deteriorate by 0.2% of GDP in 2019 in line with the (recalculated) projections of the 2019 Stability Programme. An overall assessment based on both the Commission 2019 spring forecast and the Stability Programme points to a risk of significant deviation from the preventive arm requirement both in 2019 and over 2018 and 2019 taken together."*** (p. 27)	1. Ensure a nominal reduction of net primary government expenditure of 0,1 % in 2020, corresponding to an annual structural adjustment of 0,6 % of GDP. Use windfall gains to accelerate the reduction of the general government debt ratio. Shift taxation away from labour, including by reducing tax expenditure and reforming the outdated cadastral values. Fight tax evasion, especially in the form of omitted invoicing, including by strengthening the compulsory use of e-payments including through lower legal thresholds for cash payments. Implement fully past pension reforms to reduce the share of pensions in public spending and create space for other social and growth-enhancing spending. *Split into Sub-CSRs*	**Some Progress** (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact; the Stability and Growth Pact compliance assessment will be added to the table once the Commission has carried out such an assessment, probably in May/June 2020, on the basis of final data for 2019).
	• Ensure that the nominal growth rate of net primary government expenditure does not exceed 0,1 % in 2019, corresponding to an annual structural adjustment of 0,6 % of GDP. Use windfall gains to accelerate the reduction of the general government debt ratio.	*See grey part above.*	• Ensure a nominal reduction of net primary government expenditure of 0,1 % in 2020, corresponding to an annual structural adjustment of 0,6 % of GDP. Use windfall gains to accelerate the reduction of the general government debt ratio.	The compliance assessment with the Stability and Growth Pact will be included in Spring when final data for 2019 will be available.

	• Shift taxation away from labour, including by reducing tax expenditure and reforming the outdated cadastral values.	**No Progress.** No progress was achieved in these areas, because: (i) tax expenditures have been reviewed but not streamlined; (ii) cadastral values have not been reformed; and (iii) taxation on labour has not been reduced nor shifted to other tax base but only a very marginal reduction of taxation on capital has been enacted (namely self-employed through the extension of the so-called "flat tax regime").	• Shift taxation away from labour, including by reducing tax expenditure and reforming the outdated cadastral values.	**Limited Progress.** The 2020 budget includes a fund to reduce the tax wedge on labour by around 0.2% of GDP in 2020 and 0.3% of GDP from 2021. The 2020 budget also includes several provisions limiting tax expenditures on personal income taxes, with a limited budgetary impact. No steps were taken to reduce the large tax expenditures in value-added taxes, nor to reform the outdated cadastral values. Overall, some progress was made in reducing taxes on labour, but no progress in shifting taxes to other revenue sources (only limited progress in reducing tax expenditures and no progress in updating cadastral values). On average, limited progress has been made.
	• Step up efforts to tackle the shadow economy, including by strengthening the compulsory use of e-payments through lower legal thresholds for cash payments.	**Limited Progress.** E-invoicing has become compulsory for the private sector as of 2019 pursuant to the 2018 budget law of December 2017. Moreover, electronic transmission of receipts has been introduced. Nevertheless, a new tax amnesty could offset the positive impact of those measures on tax compliance; no action was taken to encourage e-payments for instance through lower legal thresholds for cash payments.	• Fight tax evasion, especially in the form of omitted invoicing, including by strengthening the compulsory use of e-payments including through lower legal thresholds for cash payments.	**Substantial Progress.** The 2020 budget includes several measures to fight tax evasion related to omitted income declarations, including by encouraging electronic payments: (i) a new fund (0.2% of GDP from 2021) to reward consumers that pay via electronic means; (ii) lower limits to cash payments; (iii) a new special lottery for consumers paying with electronic means; (iv) the possibility to deduct expenditures from personal income taxes only if paid with traceable means. Additional new measures against tax evasion include disincentives to the undue compensation of tax credits, the shift of VAT and social security liabilities from the subcontractor onto the main contractor of tax liabilities and several measures against excise duties and VAT fraud in the fuel sector. These measures are relevant and in line with the 2019 CSR. However, the size of the challenge represented by tax evasion in Italy warrants a thorough implementation and a continuous and increasingly ambitious reform effort. For an efficient use of resources, it is also important that the financial incentives for consumers paying electronically are targeted to the sectors most exposed to tax evasion.
	• Reduce the share of old-age pensions in public spending to	**No Progress**. Old-age pension expenditure has actually been increased through the introduction of a new early-retirement scheme.	• Implement fully past pension reforms to reduce the share of pensions in public spending and	**No Progress.** The 2019 budget introduced several provisions which partially reversed past pension reform by broadening possibilities for early retirement, including by creating a new early

	create space for other social spending.		create space for other social and growth-enhancing spending.	retirement scheme ("quota 100") and suspending the indexation to life expectancy of the minimum contribution requirement needed to retire under the existing early retirement scheme. The 2020 budget law confirmed the new pension measures implemented in 2019 and even extended to 2020 the temporary early retirement schemes for women and for employees recently dismissed or performing heavy works ("APE sociale"), further increasing pension expenditure.
	2. Reduce the length of civil trials at all instances by enforcing and streamlining procedural rules, including those under consideration by the legislator. Achieve more effective prevention and repression of corruption by reducing the length of criminal trials and implementing the new anti-corruption framework. Ensure enforcement of the new framework for publicly-owned enterprises and increase the efficiency and quality of local public services. Address restrictions to competition, including in services, also through a new annual competition law. *Split into Sub-CSRs*	**Limited Progress.**	4. Reduce the length of civil trials at all instances by enforcing and streamlining procedural rules, including those under consideration by the legislator and with a special focus on insolvency regimes. Improve the effectiveness of the fight against corruption by reforming procedural rules to reduce the length of criminal trials. *Split into Sub-CSRs*	**Limited progress.**
	• Reduce the length of civil trials at all instances by enforcing and streamlining procedural rules, including those under consideration by the legislator.	**No Progress.** No new measures have been introduced to enforce and streamline procedural rules, including those against the misuse of litigation.	• Reduce the length of civil trials at all instances by enforcing and streamlining procedural rules, including those under consideration by the legislator.	**Limited Progress.** Despite recent improvements, the low efficiency of Italy's civil justice system remains a source of concern. The time to resolve civil and commercial litigious cases in Italy remains the highest in the EU at higher instances. A draft law enabling the government to substantially streamline the civil procedure has been adopted by the Council of Ministers in December 2019 and has now to be passed by the national parliament.
	• Achieve more effective prevention and	**Some Progress.** A new anti-corruption law was passed by the Parliament in December	• Improve the effectiveness of the fight against	**Limited Progress.** As regards the length of criminal trials, Italy's long disposition time for criminal cases

	repression of corruption by reducing the length of criminal trials and implementing the new anti-corruption framework.	2018. It introduced stricter penalties and longer prescription terms for corruption offences. It even stops prescription terms after a first instance conviction (as requested by GRECO) but only as of 2020. However, despite the recent reform of the statute of limitations, prosecution of corruption remains ineffective due to long trials and the still unmet need of a reform of the appeal system to avoid misuse of litigation.	corruption by reforming procedural rules to reduce the length of criminal trials.	continues to raise concerns in particular at the appeal level. Positive results in containing trial length have recently been recorded by first instance courts and the Court of Cassation. The recent reform stopping the statute of limitations after a first-instance ruling, in line with a long-standing country-specific recommendation, entered into force as of 2020. The government has been discussing a much needed reform of the criminal procedure. Swift adoption of these measures, coupled with others to tackle the large number of pending cases at appeal courts, could improve the efficiency of the criminal justice system and the effectiveness of the fight against corruption. However, in the absence of an urgent reform of criminal trials, the low efficiency of criminal justice at the appeal level continues to hinder the prosecution of corruption.
	• Ensure enforcement of the new framework for publicly-owned enterprises and increase the efficiency and quality of local public services.	**Limited Progress.** The enforcement of the new SOEs framework is ongoing, although with some delays. The limited ability of local bodies to effectively dismiss non-core shares is delaying the enforcement. No initiatives have been taken on local public services.		
	• Address restrictions to competition, including in services, also through a new annual competition law.	**No Progress.** No progress is registered in reducing barriers to competition		
	3. Maintain the pace of reducing the high stock of non-performing loans and support further bank balance sheet restructuring and consolidation, including for small and medium-sized banks, and promptly implement the insolvency reform. Improve market-based access to finance for firms. *Split into Sub-CSRs*	**Some Progress.**	5. Foster bank balance sheet restructuring, in particular for small and medium-sized banks, by improving efficiency and asset quality, continuing the reduction of non-performing loans, and diversifying funding. Improve non-bank financing for smaller and innovative firms. *Split into Sub-CSRs*	**Some Progress.**

	• Maintain the pace of reducing the high stock of non-performing loans and support further bank balance sheet restructuring and consolidation, including for small and medium-sized banks, and promptly implement the insolvency reform.	**Some Progress.** Banks' balance sheet repair including non-performing loans disposals through outright sales and securitisations with the government guarantee scheme (GACS) has substantially progressed. Despite a number of important banking reforms adopted in recent years, the corporate governance reform of the large cooperative banks has stalled and that of the small mutual banks somewhat watered down, while the insolvency framework reform still has to be finalised. Having said this, a recovering banking system, in particular small and mid-sized banks, is now suffering contagion from the increase in sovereign yields, which has already negatively impacted banks' capital positions and jeopardised access to unsecured wholesale funding.	• Foster bank balance sheet restructuring, in particular for small and medium-sized banks, by improving efficiency and asset quality, continuing the reduction of non-performing loans, and diversifying funding.	**Some Progress.** Banks' balance sheet repair including non-performing loans disposals through outright sales and securitisations with Guarantee on Securitization of Bank Non Performing Loans (GACS) has substantially progressed. The GACS was prolonged in May 2019 for another period of two years. Currently, the relatively low yields on Italian government bonds are expected to support banks in Italy to shore up their capital positions and to improve access to wholesale funding. At the same time, Italian banks continued to rebalance their domestic government bond portfolios to the held-to- collect category, in order to shield their capital positions from the volatility of domestic sovereign bond prices. Despite recent improvements, profitability remains challenging for Italian banks amid the current low interest rate environment. Some of the banks are still exhibiting high cost-to-income ratios. The reform of the large cooperative banks is not yet fully implemented, unlike the reform of small mutual banks which was essentially concluded. Moreover, the Government finalised in early 2019 the reform of the insolvency framework. However, Italian banks are still substantially exposed to their sovereign, implying the risk of adverse feedback loops. A rebound in sovereign yields could put banks under pressure and renew strain on funding costs. Despite the achieved progress as regards banks' balance sheet de-risking, the stock of NPL at system level remains comparatively high vis-à-vis euro area peers. Moreover, some of the second tier banks are still suffering under NPL-levels that are markedly above the average.
	• Improve market-based access to finance for firms.	**Limited Progress.** In addition to past policy measures (the SME Guarantee Fund, instruments through the state lender Cassa Depositi e Prestiti (CDP), Minibonds, the alternative investment market (AIM), and long-term individual saving plans (PIR)), a new fund for venture capital has been set and PIR will be extended to unlisted companies. However, the allowance for corporate	• Improve non-bank financing for smaller and innovative firms.	**Some Progress.** While firms' financing remains predominantly bank-based, measures aimed at increasing access of firms to capital markets adopted in previous years have had some positive impact. The use of initial public offerings on the AIM showed signs of recovery in 2018, partly as a result of government initiatives like the introduction of Special Purpose Acquisition Companies (SPACs). The relevance of the mini-bond market for SMEs is also

		equity (ACE), conducive in lowering leveraging and boosting firm equity has been abolished as part of the 2019 Budget law. Although these measures go in the right direction, there is a backtracking on increasing firms' capitalisation by the abrogation of ACE (which was largely used by corporations).		growing, despite its relative small size. However, measures to improve the weak recourse to venture capital have not yet been implemented. New measures adopted in 2019 (extention of the scope of crowdfunding to bonds issued by SMEs, reintroduction of ACE, so-called Società di Investimento Semplice) are expected to help address the undercapitalisation of the corporate sector.
	4. Step up implementation of the reform of active labour market policies to ensure equal access to effective job-search assistance and training. Encourage labour market participation of women through a comprehensive strategy, rationalising family-support policies and increasing the coverage of childcare facilities. Foster research, innovation, digital skills and infrastructure through better-targeted investment and increase participation in vocational-oriented tertiary education. *Split into Sub-CSRs*	**Limited Progress.**	2. Step up efforts to tackle undeclared work. Ensure that active labour market and social policies are effectively integrated and reach out in particular to young people and vulnerable groups. Support women's participation in the labour market through a comprehensive strategy, including through access to quality childcare and long-term care. Improve educational outcomes, also through adequate and targeted investment, and foster upskilling, including by strengthening digital skills. *Split into Sub-CSRs*	**Limited Progress.**
	• Step up implementation of the reform of active labour market policies to ensure equal access to effective job-search assistance and training.	**<u>Some Progress.</u>** Monitoring indicators and minimum standards for Public Employment Services (PES) staff were set at the national level by Decree in January 2018, but strengthening coordination between the national agency (ANPAL) and regions remains a major challenge. PES are being linked through a newly developed national IT system. The information provided to non-registered people has also been improved, as well as the on-line registration of jobseekers and the set-up of single points of contact for the long-term unemployed. But active labour market policies (ALMP) are barely integrated and coordinated with related policies	• Step up efforts to tackle undeclared work.	**<u>Limited Progress.</u>** The national labour inspectorate launched a recruitment competition, together with other services, to hire more labour inspectors. The total number of firms inspected has declined in 2018.
			• Ensure that active labour market and social policies are effectively integrated and reach out in particular to young people and vulnerable groups.	**<u>Some Progress.</u>** 3000 "navigators" have been hired to reinforce public employment centres. However, active labour market policies (ALMP) remain barely integrated and coordinated with other related policies (e.g. social services, adult learning, vocational training). The coordination role for the national agency (ANPAL) is still weaker than originally intended. The main challenges for the implementation of the reform remain improving the

		(e.g. social protection, social services, adult learning, and vocational training). Major competences lie with regional authorities, which received new resources in 2018 to re-inforce public employment services (PES). However, recruitments of new staff has not yet started.		coordination, the exchange of data and the standardisation of services provided.
	• Encourage labour market participation of women through a comprehensive strategy, rationalising family-support policies and increasing the coverage of childcare facilities.	**Limited Progress.** Female labour participation remains one of the lowest in the EU. The employment rate of women (20-64) is substantially lower than the EU average ([52.5% vs 66.4%]) in 2017. A high tax wedge for second earners reduces the financial incentive for women to take up work (the marginal tax rate for a second earner earning two thirds of the average wage is at [30.5%] in 20XX). In addition, the lack of adequate measures to reconcile professional and private life such as care facilities tends to hamper employment, especially for women with dependent children or other family members in need of care. The share of children under three years of age in formal early childhood education at 27.3% is well below the EU average. This situation is exacerbated by an inadequate system of parental leave.	• Support women's participation in the labour market through a comprehensive strategy, including through access to quality childcare and long-term care.	**Limited Progress.** The different family-related social policy measures are often not coordinated and a comprehensive strategy, including access to services and provision of benefits, is missing. The government The government took some action to facilitate access to childcare through financial support to families, but has no plans to increase the supply of childcare. Available pre-school places covered on average only 24% of children under three years of age in the school year 2016/17, with big regional variations.
	• Foster research, innovation, digital skills and infrastructure through better-targeted investment and increase participation in vocational-oriented tertiary education	**Limited Progress.** A fully fledged assessment of the R&D incentives contained in Impresa 4.0 is lacking. From preliminary information available, tax incentives would have had a positive impact on private investment. However, the incentives - which remain of temporary nature - have been substantially reduced by the last budget law. The latter introduced a new (supposedly structural) system of tax reduction on reinvested profit, which however does not seem to concern also investment in R&D. The new budget law confirms the tax credit on training in skills linked to 4.0 technologies for 2019 (with 250	• Improve educational outcomes, also through adequate and targeted investment, and foster up-skilling, including by strengthening digital skills.	**Limited Progress.** No significant measures have been adopted to address the CSR beyond hiring new teachers (with an extremely small effort on digital-expert teachers hiring).

		million EUR budget, the same amount budgeted the previous year); however a comprehensive strategy for digital skills is still missing; the funding for the National Plan for Digital School is still insufficient for reaching the Plan's objectives and competence centers for the Industry 4.0 strategy are having a slow start. The funding of public research is stagnating (0.50% GDP in 2017, the lowest value since 2005). Public investment in infrastructure remains low, although the government intends to address the issue of lack of project management skills within public administrations that hampers ability to carry out investment. Despite the interesting initiatives on ITS and 'lauree professionalizzanti', vocational-oriented tertiary education concern only a few thousand students. The 2019 Budget Law sets two institutional bodies to strengthen investment capacity of national and local authorities (Centrale per la progettazione delle opere pubbliche e Investitalia). Moreover, funds to promote innovative technologies such as Artificial Intelligence, Blockchain and Internet of Things were created. The drafting of a standard contract for Public-Private Partnership is ongoing. The PPP for the creation of Competence centres were selected. Finally, the 2019 Budget Law provides incentives for private employers who hire young graduates or PHD holders through a permanent contract (EUR 50 mn in 2019 and 20 in 2020). No progress is registered on education, particularly on vocational-oriented tertiary education.		
			3. Focus investment-related economic policy on research and innovation, and the quality of infrastructure, taking into account regional disparities. Improve the effectiveness of public	**Some Progress.**

			administration, including by investing in the skills of public employees, by accelerating digitalisation, and by increasing the efficiency and quality of local public services. Address restrictions to competition, particularly in the retail sector and in business services, also through a new annual competition law. *Split into Sub-CSRs*	
			• Focus investment-related economic policy on research and innovation, and the quality of infrastructure, taking into account regional disparities.	**<u>Some Progress.</u>** Public investment remains subdued, but the strengthening of the budgetary autonomy of local governments is showing positive signs. Other measures to unlock public investment were adopted in 2019 ("Sblocca cantieri" decree). Moreover, funds for public investment at central and local level have been increased and the new fund for green investment created, although administrative capacity to plan and implement investment projects remains weak. Transizione 4.0 plan (extending measures of the Impresa 4.0 plan) support private investment and better focuses on innovation and green investment, while aiming at enlarging the number of beneficiaries firms. However, R&D expenditure remains low and unequal across Italian regions. There is still scope for further streamlining and stabilisation of the most efficient incentives. The Fund for Innovation was set but is not yet operational. Public investment in Southern regions remains low and their weak eco-systems makes them benefit less from national measures. The planned strengthening of the 34% investment clause could help reducing regional disparities.
			• Improve the effectiveness of public administration, including by investing in the skills of public employees, by accelerating digitalisation, and by increasing the	**<u>Some Progress.</u>** Efforts to simplification administrative procedures go on, although overall burden remains high. Two agencies were set-up in 2019 to strengthen administrative capacity of public administration capacity to plan and manage public investment but are not yet operational. The reform intended to address inefficiencies in public

			efficiency and quality of local public services.	procurement remains unachieved. Some progress has been recorded in increasing the effectiveness and digitisation level of the PA (Decreto Concretezza, draft law on public employment, creation of the ministry for innovation and digitisation, IO app launch, etc). However no progress has been registered on the local public services side.
			• Address restrictions to competition, particularly in the retail sector and in business services, also through a new annual competition law.	**No Progress.** No progress has been registered on competition policies. No new initiatives have been announced and few backtracking measures are still being discussed.

CY	2018 CSRs SGP: - MIP: CSR 1, 2, 3, 4, 5	Assessment of implementation of 2018 CSRs February 2019	2019 CSRs SGP: - MIP: CSR 1, 2, 3, 4, 5	Assessment of implementation of 2019 CSRs February 2020
	1. Adopt key legislative reforms to improve efficiency in the public sector, in particular as regards the functioning of the public administration and the governance of state-owned entities and local governments. *Split into Sub-CSRs*	**Limited Progress.**	1. Adopt key legislative reforms to improve efficiency in the public sector, in particular as regards the functioning of the public administration and the governance of State-owned entities and local governments. Address features of the tax system that may facilitate aggressive tax planning by individuals and multinationals, in particular by means of outbound payments by multinationals. *Split into Sub-CSRs*	**Limited Progress.**
	• Adopt key legislative reforms to improve efficiency in the public sector, in particular as regards the functioning of the public administration	There has been **Limited Progress** in improving the efficiency of the public administration by further promoting e-governance. However, the adoption of key legislation on modernising the functioning of the public administration is still pending.	• Adopt key legislative reforms to improve efficiency in the public sector, in particular as regards the functioning of the public administration	**Limited Progress** in improving the efficiency of the public administration by further promoting e-governance. However, the key legislation on modernising the functioning of the public administration is still pending endorsement, despite the fact that revised legislation was submitted to the House of Representatives in October 2019.
	• and the governance of state-owned entities	There has been **Limited Progress** on the governance of State-Owned Enterprises. The draft law is still pending adoption by the House of Representatives since 2015. In the meantime, a proposal to the Council of Ministers and guidance notes are being prepared, which include most of the draft law provisions.	• and the governance of State-owned entities	**Some Progress** has been made on the improvement of the governance of State-owned enterprises as additional requirements for increased oversight and reporting were introduced by decisions of the Council of Ministers. These administrative measures are intended to replace provisions envisaged in the draft law for the governance of State-owned enterprises, which was withdrawn from the House of Representatives as it was deemed that it would not be adopted However the effectiveness of these measures is still to be assessed. In particular, additional efforts are needed to create a transparent process for board nominations and to further align and improve corporate governance practices.

	• and local governments.	There has been **Limited Progress** related to the reform of local governments. Relevant legislation, which was submitted to the House of Representatives in 2015 is being amended.	• and local governments.	**Limited Progress** on the reform of the local government, despite the intense preparations for revising the proposal of the government, as it is still pending for adoption.
			• Address features of the tax system that may facilitate aggressive tax planning by individuals and multinationals, in particular by means of outbound payments by multinationals.	**Limited Progress** since Cyprus is in the process of transposing into national law the first EU Directives on Anti-Tax Avoidance. Some additional measures were announced, such as the introduction of withholding taxes on dividend, interest and royalty payments to countries on the EU list of non-cooperative jurisdictions on tax matters, the introduction of a tax residency test based on incorporation and the reviewing of the transfer pricing framework to take into account the OECD base erosion and profit shifting (BEPS) project transfer pricing recommendations. However, their effectiveness in addressing the issue of aggressive tax planning remains to be seen.
	2. Step up efforts to improve the efficiency of the judicial system by revising civil procedures, increasing the specialisation of courts and setting up a fully operational e-justice system. Take measures to fully operationalise the insolvency and foreclosure frameworks and ensure reliable and swift systems for the issuance of title deeds and the transfer of immovable property rights. *Split into Sub-CSRs*	**Some Progress.**	5. Step up efforts to improve the efficiency of the judicial system, including the functioning of administrative justice and revising civil procedures, increasing the specialisation of courts and setting up an operational e-justice system. Take measures to strengthen the legal enforcement of claims and ensure reliable and swift systems for the issuance and transfer of title deeds and immovable property rights. Accelerate anti-corruption reforms, safeguard the independence of the prosecution and strengthen the capacity of law enforcement. *Split into Sub-CSRs*	**Limited Progress.**
	• Step up efforts to improve the efficiency of the judicial system by revising civil procedures, increasing the	**Limited Progress** in improving the efficiency of the judicial system. A number of measures are being implemented, but they are not yet completed. The civil procedures are still under revision and the specialisation	• Step up efforts to improve the efficiency of the judicial system, including the functioning of admin-	**Limited Progress** has been achieved on enhancing the efficiency of the judicial system, as several draft laws regarding the specialisation of courts are still pending for adoption. The revision of the civil procedures rules, the implementation of e-justice

	specialisation of courts and setting up a fully operational e-justice system.	of courts is only at an initial stage. Important measures to specialise the courts, including establishing a Commercial Court, creating new jurisdictions dealing with disputes related to credit facilities and appointing judges dedicated to handling financial disputes, are still pending. The e-justice system has not yet been developed.	istrative justice and revising civil procedures, increasing the specialisation of courts and setting up an operational e-justice system. Take measures to strengthen the legal enforcement of claims	and the recruitment of additional judges to clear the backlog are delayed. A draft law to facilitate the enforcement of claims is also pending adoption.
	• Take measures to fully operationalise the insolvency and foreclosure frameworks	**<u>Substantial Progress</u>** on making the insolvency and foreclosure tools operational with the enactment of strengthened legal frameworks. The effective use and the overall impact of the amended frameworks will be assessed over time. Measures to improve the efficiency and effectiveness of the Insolvency Service and the profession of insolvency practitioners are still pending.	• and ensure reliable and swift systems for the issuance and transfer of title deeds and immovable property rights.	**<u>Limited Progress</u>** has been made, as there is still a large backlog in cases of buyers who paid the full amount for a property and have yet to receive their legal ownership documents. A new transparent and reliable system is still under discussion. On the positive side, an amended law to facilitate the transfer of title deeds was enacted in 2019.
	• and ensure reliable and swift systems for the issuance of title deeds and the transfer of immovable property rights.	**<u>Limited Progress</u>** on the issuance and transferring of title deeds. Efforts to reduce the backlog are ongoing, however, limited progress was achieved so far. A roadmap to reform the licensing and permitting procedures based on findings of external experts is still under preparation and further legislative amendments to ensure a reliable and swift system are pending.	• Accelerate anti-corruption reforms, safeguard the independence of the prosecution and strengthen the capacity of law enforcement.	**<u>Limited Progress</u>** has been made, as an action plan against corruption is being implemented. However, key measures and legislation are pending adoption, notably the draft Act for the enhancement of transparency in public decision making (through the regulation of lobbying), the draft Act for the establishment of the Independent Authority against Corruption, the draft Act for reporting corruption and the draft Act for the protection of whistle-blowers. The capacity to investigate corruption has been strengthened with the newly established internal affairs service of the Police, which is fully operational and some measures have been taken to improve the capacity of the financial investigation unit and forensics. The bill on telephone tapping was approved by the House of Representatives in January 2020. This is envisaged to improve the investigative capacity for corruption-related crimes. A draft Act law revising the existing provisions related to the Law Office's budgetary independence, separation of functions, and recruitment procedures, is still under discussion.

	3. Accelerate the reduction of non-performing loans by implementing a comprehensive strategy, including legislative amendments allowing for the effective enforcement of claims and facilitating the sale of loans. Integrate and strengthen the supervision of insurance companies and pension funds. *Split into Sub-CSRs*	**Substantial Progress.**	2. Facilitate the reduction of non-performing loans including by setting up an effective governance structure for the State-owned asset management company, taking steps to improve payment discipline and strengthening the supervision of credit-acquiring companies. Strengthen supervision capacities in the non-bank financial sector, including by fully integrating the insurance and pension-fund supervisors. *Split into Sub-CSRs*	**Limited Progress.**
	• Accelerate the reduction of non-performing loans by implementing a comprehensive strategy, including legislative amendments allowing for the effective enforcement of claims and facilitating the sale of loans.	**Substantial Progress** in implementing a comprehensive strategy to address the high level of non-performing loans. The measures undertaken are: (i) the adoption of a legal package to facilitate the enforcement of claims and the sale of loans, (ii) the partial sale of a public bank and the transferring of non-performing loans to an asset management company and (iii) the adoption of a decision to introduce in 2019 a subsidy scheme for defaulted loans backed by primary residence. Additional measures to ensure an overall positive impact of the strategy are still pending.	• Facilitate the reduction of non-performing loans including by setting up an effective governance structure for the State-owned asset management company,	**Some Progress** has been made in facilitating the reduction of non-performing loans by implementing the ESTIA scheme (for addressing non-performing loans collateralised by primary residences) and by introducing e-auctions for properties subject to foreclosure proceedings. However, progress is slow in setting up the new governance structure of the State-owned asset management company. New members have been appointed in its board of directors. However the governance and organisational structure of the company are not yet complete, while the long- term business plan is still under preparation.
	• Integrate and strengthen the supervision of insurance companies and pension funds.	**No Progress** on creating a single independent supervisory authority for insurance companies and pension funds as the bill is still pending for adoption.	• taking steps to improve payment discipline	**Limited Progress** in improving payment discipline as in 2019, a new insolvency service was established, which is expected to operate more efficiently and effectively and to promote the insolvency framework. The ESTIA scheme may help deal with strategic defaulters. The foreclosure framework was strengthened in 2018, whereas the amendments adopted in 2019 may undermine the framework if implemented.
			• and strengthening the supervision of credit- acquiring companies.	**Limited Progress** has been made in strengthening the supervision of credit-acquiring companies, as a bill for the strengthening of the supervision of Authorized Credit Institutions has been drafted, but

				has not yet been submitted to the House of Representatives.
			• Strengthen supervision capacities in the non-bank financial sector, including by fully integrating the insurance and pension-fund supervisors.	**Limited Progress** has been made in strengthening the supervision capacities in the non-bank financial sector, with a bill aiming to consolidate and strengthen the supervision of insurance companies and pension funds being submitted to the House of Representatives at the end of 2019. The bill has not been adopted yet.
	4. Prioritise the implementation of key elements of the action plan for growth, in particular fast-tracking strategic investments, and take additional measures to improve access to finance for small and medium-sized enterprises. Improve the performance of state-owned enterprises including by resuming the implementation of privatisation projects. *Split into Sub-CSRs*	**Limited Progress.**	4. Focus investment-related economic policy on sustainable transport, environment, in particular waste and water management, energy efficiency and renewable energy, digitalisation, including digital skills, and research and innovation, taking into account territorial disparities within Cyprus. Adopt legislation to simplify the procedures for strategic investors to obtain necessary permits and licences. Improve access to finance for SMEs, and resume the implementation of privatisation projects. *Split into Sub-CSRs*	**Limited Progress.**
	• Prioritise the implementation of key elements of the action plan for growth, in particular fast-tracking strategic investments,	**No Progress** as the bill for simplifying and shortening the procedures to obtain the necessary permits for strategic investments is still pending adoption.	• Focus investment-related economic policy on sustainable transport,	**Limited Progress** has been made as the obligation of fuel suppliers for blending biofuels to conventional transport fuels was increased to at least 5% in energy content for 2019. Additional measures, such as increasing the obligation up to 10% and the introduction of a grant scheme for photo-voltaic installation on residential houses for the charging of electric vehicles or plug-in hybrid electric vehicles, are still under discussion.
	• and take additional measures to improve access to finance for small and medium-sized enterprises	**Some Progress** as a few measures are being implemented, mainly supported by EU funds.	• environment, in particular waste and water management,	**Limited Progress** has been made, as an integrated environmental permitting and inspection system is expected to be introduced in 2020. An update of the National Strategy for the Management on Municipal Waste up to 2021 will start in 2020. Draft rules regulating the waste management by local authorities, including the introduction of 'pay as

				you through' mechanisms, are under consultation with the stakeholders, with the aim to be finalised and submitted to the House of Representatives in 2020.
	• Improve the performance of state-owned enterprises including by resuming the implementation of privatisation projects.	**Limited Progress** as only few efforts have been made to improve the performance of the State-Owned Enterprises. A proposal to the Council of Ministers and relevant guidance notes are under preparation. Limited progress was also made on the privatisation of the Larnaca Port / Marina, as the tendering is slowly progressing. The project is expected to advance in 2019. For the other privatisation projects, including the corporatisation of the Cyprus Telecommunications Authority (CyTA), the timeline is uncertain.	• energy efficiency and renewable energy,	**Some Progress** has been made as schemes are being implemented to support energy efficiency in SMEs and in private and public buildings. A new financial instrument for SMEs, energy efficiency and RES is expected to start implementation in 2020. A green tax reform is under discussion. However, Cyprus remains well below its targets.
			• digitalisation, including digital skills,	**Limited Progress** has been made as announced measures are still under implementation. The establishment of the new deputy ministry for Innovation and Digital Policy as of 1st March 2020 was adopted. The new National Digital Strategy is under preparation. To foster e- commerce, the authorities have also launched a grant scheme to incentivise small and medium- sized enterprises to invest in relevant equipment and services. Furthermore, measures to enhance digital skills are under preparation.
			• and research and innovation, taking into account territorial disparities within Cyprus.	**Some Progress** has been made as the new national research and innovation strategy for 2019-2023 has entered into force. The law allowing universities to create spin-offs was adopted as well as measures to stimulate academia-business cooperation.
			• Adopt legislation to simplify the procedures for strategic investors to obtain necessary permits and licences.	**Limited Progress** has been made, as the relevant legislation for simplifying and shortening the procedures to obtain the necessary permits for strategic investments has been revised, but is still pending enactment.
			• Improve access to finance for SMEs,	**Some Progress** has been made, as grant schemes are ongoing. In addition, the establishment of an

				equity fund was adopted for the first time, and its implementation is under way.
			• and resume the implementation of privatisation projects	**No Progress** has been made as a few privatisation projects are still under consideration by the authorities, but without any progress so far.
	5. Complete reforms aimed at increasing the capacity and effectiveness of the public employment services and reinforce outreach and activation support for young people who are not in employment education or training. Complete the reform of the education and training system, including teacher evaluation and actions to increase the capacity of vocational education and training. Take measures to ensure that the National Health System becomes fully functional in 2020, as planned. *Split into Sub-CSRs*	**Limited Progress.**	3. Complete reforms aimed at increasing the effectiveness of the public employment services and reinforce outreach and activation support for young people. Deliver on the reform of the education and training system, including teacher evaluation, and increase employers' engagement and learners' participation in vocational education and training, and affordable childhood education and care. Take measures to ensure that the National Health System becomes operational in 2020, as planned, while preserving its long-term sustainability. *Split into Sub-CSRs*	**Some Progress.**
	• Complete reforms aimed at increasing the capacity and effectiveness of the public employment services and reinforce outreach and activation support for young people who are not in employment education or training.	**Limited Progress** insofar, as the capacity of the public employment services increased, but only temporarily and measures to increase the effectiveness are still pending. There has also been limited progress in outreaching and activating young people not in employment, education or training. An action plan was prepared, but its implementation is very slow.	• Complete reforms aimed at increasing the effectiveness of the public employment services and reinforce outreach and activation support for young people.	**Some Progress** has been made, as the reforms of the public employment services, outreach to young people and support to get them into work or training are progressing and their effectiveness is improving. However, the sustainability of services is at risk as the additional staff recruited are only on short-term contracts until mid-2020, and youth unemployment is still high.
	• Complete the reform of the education and training system, including teacher evaluation and actions to increase the capacity	**Limited Progress,** as only some areas are progressing well, such as teachers' appointment system, revised curricula and the introduction of new specialisations in vocational and technical education, in line with labour market needs. However, only limited pro-	• Deliver on the reform of the education and training system, including teacher evaluation, and increase employers' engagement and learners'	**Limited Progress** has been made, as there is only partial progress in the area of student assessment, with sizeable deviations from the original reform proposal. Stakeholder discussions are ongoing on the reform of teacher evaluation, but no concrete legislative progress has been made so far. Overall, performance in basic skills as measured by PISA is

	of vocational education and training.	gress has been made on teachers' evaluation, where a proposal is still pending. Slow and fragmented progress has been made with the reform of the vocational education and training system, while no progress has been recorded as regards the capacity (infrastructure and facilities).	participation in vocational education and training,	poor, with slight improvements in mathematics and sciences, but a decline in reading. Levels of vocational education and training and adult learning remain low.
	• Take measures to ensure that the National Health System becomes fully functional in 2020, as planned.	There has been **<u>Some Progress</u>** in undertaking measures to ensure that the National Health System becomes functional in 2020 as planned. Secondary legislation has been adopted and the reform of the primary healthcare system is advancing.	• and affordable childhood education and care.	**<u>Limited Progress</u>** has been made, as supporting measures for affordable early childhood education and care are still lagging behind. The availability of affordable and accessible childcare is an area where divergence exists and free/low cost childcare is limited, creating a disproportionate burden for families.
			• Take measures to ensure that the National Health System becomes operational in 2020, as planned, while preserving its long-term sustainability.	**<u>Some Progress</u>** has been made as the first phase of the reform for out-patient care has been launched and the second phase of in-patient care, expected by June 2020, is in progress. Sustainability risks and operational challenges remain.

LV	2018 CSRs SGP: CSR 1 MIP: -	Assessment of implementation of 2018 CSRs February 2019	2019 CSRs SGP: CSR 1 MIP: -	Assessment of implementation of 2019 CSRs February 2020
	1. Achieve the medium-term budgetary objective in 2019, taking into account the allowances linked to the implementation of the structural reforms for which a temporary deviation is granted. Reduce taxation for low-income earners by shifting it to other sources, particularly capital and property, and by improving tax compliance. *Split into Sub-CSRs*	**Limited Progress** (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact). In June 2019, the Commission evaluated compliance with the SGP in its assessment of the 2019 Stability Programme for Latvia (without using or referring to the assessment grid used for other CSRs): *"In 2019, Latvia is projected to be close to its MTO taking into account the allowance linked to the health care reform, based on the Stability Programme and the Commission 2019 spring forecast. However, the expenditure benchmark points to a risk of significant deviation from the requirement in 2019, based on the Commission forecast.* ***Taking into account the distance to the MTO, the current assessment points to a risk of some deviation in 2019.*** *If the structural balance is no longer projected to be close to the MTO, taking into account the allowance linked to healthcare reform, future assessments would need to take into account a possible deviation from the requirement."* (p. 19)	1. Ensure that the nominal growth rate of net primary government expenditure does not exceed 3,5 % in 2020, corresponding to an annual structural adjustment of 0,5 % of GDP. Reduce taxation for low-income earners by shifting it to other sources, particularly capital and property, and by improving tax compliance. Ensure effective supervision and the enforcement of the anti-money laundering framework. *Split into Sub-CSRs*	**Some Progress** (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact; the Stability and Growth Pact compliance assessment will be added to the table once the Commission has carried out such an assessment, probably in May/June 2020, on the basis of final data for 2019).
	• Achieve the medium-term budgetary objective in 2019, taking into account the allowances linked to the implementation of the structural reforms for which a temporary deviation is granted.	*See grey part above.*	• Ensure that the nominal growth rate of net primary government expenditure does not exceed 3.5% in 2020, corresponding to an annual structural adjustment of 0.5% of GDP.	The assessment of compliance with the Stability and Growth Pact will be included in the spring when final data for 2019 will be available.
	• Reduce taxation for low-income earners by shifting it to other	**Limited Progress.** No new measures are implemented in response to the 2018 CSR. The	• Reduce taxation for low-income earners by shifting it to other sources,	**Some Progress.** The tax wedge for low wages in 2020 is estimated to have been reduced in line with

	sources, particularly capital and property,	adopted measures are being implemented, but their effect is limited.	particularly capital and property, and by improving tax compliance.	the benchmark against other Member States. However, this reduction is not offset by other tax revenue sources, in particular capital and property. Tax compliance is improving in some areas, but policy and compliance gaps remain high.
	• and by improving tax compliance.	**Some Progress.** Tax compliance has been strengthened by more detailed tax reports being requested from businesses and using data available in public registers. Stricter sanctions for financial and economic crimes are applied.	• Ensure effective supervision and the enforcement of the anti-money laundering framework.	**Substantial Progress.** Latvia has strengthened its anti-money laundering system and the flow of risky money through the country has been reduced. Latvia has increased the capability of supervisory and law enforcement institutions and has established information sharing and a cooperation group involving competent authorities. A number of sanctions have been applied in 2019. The number of investigations and amount of funds frozen increased in 2019, but a large amount of deposits in ABLV bank still needs to be scrutinised during its liquidation. Latvia should continue its efforts to ensure effective supervision and enforcement of its anti-money laundering framework.
	2. Improve the adequacy of minimum income benefits, minimum old-age pensions and income support for people with disabilities. Increase the labour market relevance of vocational education and training, and foster upskilling of low-skilled workers and jobseekers. Increase the accessibility, quality and cost-effectiveness of the healthcare system. *Split into Sub-CSRs*	**Limited Progress.**	2. Address social exclusion notably by improving the adequacy of minimum income benefits, minimum old-age pensions and income support for people with disabilities. Increase the quality and efficiency of education and training in particular of low-skilled workers and jobseekers, including by strengthening the participation in vocational education and training and adult learning. Increase the accessibility, quality and cost-effectiveness of the healthcare system. *Split into Sub-CSRs*	**Some Progress.**
	• Improve the adequacy of minimum income benefits, minimum old-age pensions and income support for people with disabilities.	**No Progress.** The most recent plan (2018) to improve the minimum income support system 2019-2020, although announced, has not been implemented. The guaranteed minimum income increase of EUR 3.20 entered into force on 1 January 2018. Several measures were taken to improve the overall	• Address social exclusion notably by improving the adequacy of minimum income benefits, minimum old-age pensions and income support for people with disabilities.	**Some Progress.** Minimum social benefits have been increased for 2020, except for those who have worked less than 15 years. The increases are lower than planned, leading to partial implementation, and the adequacy of benefits remains low. Further action would be required to address the high risk

		situation for the elderly e.g.: indexation of pensions with long insurance periods, supplements to old age and disability pensions for work period before 1996, a time-limited survivor's pension. In 2018, financial support for families with two and more children was increased. However, the minimum pension and state social security old-age allowance have not been increased.		of poverty or social exclusion as well as income inequality.
	• Increase the labour market relevance of vocational education and training, and foster upskilling of low-skilled workers and jobseekers.	**Some Progress.** No new measures have been taken on the vocational education and adult learning. Ongoing programmes are continuing and are supported using EU funds. VET reforms have picked up pace and work-based learning is being rolled out, but outcomes in terms of the share of VET students and recent graduate employment remain lower than the EU average. While upskilling low-skilled and jobseekers has been strengthened using EU funds, participation in adult learning and active labour market policies remains low and public expenditure on active labour market policies is low. An ESF-funded activation programme for the long-term unemployed was launched in second half of 2018. In April 2018, the Latvian government endorsed the implementation of Latvia's national skills strategy project to develop a comprehensive medium-term education and skills policy agenda.	• Increase the quality and efficiency of education and training in particular of low-skilled workers and jobseekers, including by strengthening the participation in vocational education and training and adult learning.	**Some Progress.** While improving quality and efficiency, measures to consolidate resources, including the large school network, have been delayed. At the same time, reforms to improve vocational education and training are ongoing and are planned to be finalised by the end of 2021, but the share of students in vocational education and training remains low. An EU-funded adult learning project is ongoing, but overall participation in adult learning remains low, especially for the low-skilled, and measures to increase uptake have been adopted. Work on a national skills agenda with support from the OECD is ongoing and in 2020 Latvia's national strategy for education and skills for 2021-2027 will be developed and approved.
	• Increase the accessibility, quality and cost-effectiveness of the healthcare system.	**Some Progress.** Public financing for healthcare has increased, which has resulted in reduced waiting times for some interventions and increased availability of health services, but the level remains low relative to other EU countries. Structural reforms in the sector are proceeding slowly and in some cases concrete implementation plans are still to be formulated, for instance in primary care reform.	• Increase the accessibility, quality and cost- effectiveness of the healthcare system.	**Some Progress.** Public spending for healthcare is set to decline as a share of GDP in 2020. The level of unmet needs for medical care and the level of out-of-pocket payments remain high. The introduction of the two-basket health insurance system, which posed risks for access to healthcare, has been postponed. Healthcare network reforms initiated in previous years continue, but are still at an early stage. In particular, the pilots of the multi- disciplinary health centres for the primary care reform have not been launched yet. Efforts have been

				made to combat anti- microbial resistance, to improve mental healthcare and to support the nursing profession. However, workforce shortages persist and access to affordable healthcare remains a challenge for parts of the population.
	3. Strengthen the efficiency of the public sector, in particular with regard to local authorities and state-owned enterprises. Strengthen the accountability of public administration by protecting whistle-blowers, preventing conflicts of interest and following-up on the results of the ongoing assessment of past insolvency proceedings. *Split into Sub-CSRs*	**Some Progress.**	4. Strengthen the accountability and efficiency of the public sector, in particular with regard to local authorities and State-owned and municipal enterprises and the conflict of interest regime.	**Some Progress.** Public administration reform for the central government is being implemented. Administrative-territorial reform for consolidating local authorities and improving their services was presented in 2019 and is expected to be adopted in mid-2020. Corporate governance of state and municipal companies has been improved by requiring disclosure of company reports to the same extent as for listed companies. Moreover, the uncompetitive behaviour of municipal companies and entities is prohibited and the Competition Council is charged with monitoring the situation. The capacity to investigate corruption cases has been strengthened, but shortcomings remain as regards the oversight of implementation of anti-corruption actions, a lack of clarity as regards the applicable regime on conflicts of interests, the application of sanctions for asset disclosure irregularities and the lack of a legal framework regulating lobbying activities.
	• Strengthen the efficiency of the public sector, in particular with regard to local authorities and state-owned enterprises.	**Limited Progress.** The public administration reform adopted in November 2017 is being slowly rolled out. The public sector reforms exclude municipalities, which enjoy a high degree of autonomy. No measures on governance of local authorities or state-owned enterprises have been presented.		
	• Strengthen the accountability of public administration by protecting whistle-blowers, preventing conflicts of interest and following-up on the results of the ongoing assessment of past insolvency proceedings.	**Some Progress.** The adoption of the whistleblower protection law shows substantial progress. Despite an increased effectiveness of the Corruption Prevention and Combatting Bureau, there are delays in the implementation of the National Anti-Corruption Strategy and in adopting relevant provisions, such as a law regulating lobbying activities or a Code of ethics covering politi-		

		cally elected persons. Proposed amendments to the law on conflicts of interests would exempt certain categories of officials from submitting assets and interests declarations. The approach followed for the verification of asset declarations is still unclear.		
			3. Focus investment-related economic policy on innovation, the provision of affordable housing, transport, in particular on its sustainability, resource efficiency and energy efficiency, energy interconnections and digital infrastructure, taking into account regional disparities. *Split into Sub-CSRs*	**Some Progress.**
			• Focus investment-related economic policy on innovation	**Some Progress.** Latvia will not meet its national target for investments in R&D by 2020, as national financing has not been increased as initially planned. Latvia relies on the support from the Horizon 2020 Policy Support Facility and has advanced in creating a unified coordination body in 2020 to tackle currently fragmented governance.
			• the provision of affordable housing.	**Limited Progress.** Affordable housing in the centres of economic activity is a bottleneck for labour mobility and economic growth. Lengthy and cumbersome processes for obtaining planning and building permits are hampering new housing construction. The weak protection of landlords discourages more investment into rental housing. The draft rental law has not made any progress in the Parliament since 2018. The plans for energy-efficiency renovation of apartment buildings are unambitious.
			• transport, in particular on its sustainability.	**Some Progress.** Transit and major transport connections are the authorities' first priority, while a large share of local roads are of poor quality. The use of passenger cars is growing, while the share of passenger transport by bus or train is declining. The transport sector is a major source of greenhouse gas emissions, while renewable energy use

				in road transport is low. Regulatory changes and a better organisation of public transport to improve environmental sustainability are at an early stage. However, the development of Rail Baltica should support the shift to less carbon intensive rail transport once finished.
			• resource efficiency and energy efficiency, energy interconnections	**Some Progress.** Regional gas market with Finland and Estonia became operational on 1 January 2020. The Baltic grid synchronisation project, the internal electricity grid reinforcement project and construction of the third interconnector with Estonia are all well on track. However, the final National Energy and Climate Plan detailing the investment plan aimed at increasing the resource and energy efficiency is still to be submitted by Latvia. The government has adopted its 2030 Strategy on Latvia's adaptation to Climate Change with a view to develop infrastructure and buildings, taking into consideration the potential climate risks. The Strategy for the Low-Carbon Development until 2050 is expected to be approved in 2020.
			• and digital infrastructure, taking into account regional disparities.	**Some Progress.** Latvia is among the EU's front-runners for the deployment of very high-speed internet infrastructure. However, last mile connections are an issue in rural areas.

LT	2018 CSRs SGP: - MIP: -	Assessment of implementation of 2018 CSRs February 2019	2019 CSRs SGP: - MIP: -	Assessment of implementation of 2019 CSRs February 2020
	1. Improve tax compliance and broaden the tax base to sources less detrimental to growth. Ensure the long-term sustainability of the pension system while addressing the adequacy of pensions. *Split into Sub-CSRs*	**Some Progress.**	1. Improve tax compliance and broaden the tax base to sources less detrimental to growth. Address income inequality, poverty and social exclusion, including by improving the design of the tax and benefit system. *Split into Sub-CSRs*	**Some Progress.**
	• Improve tax compliance	**Some Progress** was made in fighting the shadow economy but further efforts are needed. Tax compliance remains relatively low. Although Lithuania's VAT gap decreased slightly from 26 % in 2015 to 25 % in 2016, it is still one of the largest in the EU. Several public relations campaigns aimed at increasing public awareness and engagement were undertaken. Smart Tax Administration system (i.MAS) measures introduced in recent years resulted in almost halving the time needed to comply with taxes.	• Improve tax compliance and	**Some Progress.** Lithuania has adopted and implemented a few legislative and technical measures to tackle tax evasion and avoidance. However, the VAT gap still remains one of the highest in the EU. The effectiveness of the new IT tools that were to encourage tax compliance is limited.
	• and broaden the tax base to sources less detrimental to growth	**No Progress** was made in broadening the tax base. The new tax reform does not involve any shift of the tax base towards more growth-friendly sources. Environmental taxes are significantly below the EU average. Taxes on transport are the lowest in the EU and do not take into account vehicles' environmental performance. CO_2-based motor vehicle taxes are not in place in Lithuania. No changes related to car taxation or road-use tax for private passenger vehicles are envisaged. Property taxation remains low and no further changes are planned.	• broaden the tax base to sources less detrimental to growth.	**Some Progress.** On 17 December 2019, the Law on the vehicle registration tax was adopted. The law introduces passenger vehicle taxation based on CO_2 emissions from July 2020. At the same time, a few minor adjustments were introduced to the real estate tax (lowering the threshold from €220,000 to €150,000 and increasing the minimum tax rate). Overall, these changes are expected to bring €15 million in tax revenues (or 0.03% of GDP). Higher excise duties on alcohol, tobacco and energy products came into force from 1 January 2020. Environmental taxes remain low compared to the EU average.

	• Ensure the long-term sustainability of the pension system while addressing the adequacy of pensions.	**Some Progress** was made with the introduction of the pension indexation formula from January 2018 and additional pension reforms legislated in summer 2018. These reforms increase the fiscal sustainability of the pension system in the medium and long term and, to some extent addresses the issue of adequacy in the short term. Adequacy will also partly depend on the participation rate in the second pension pillar. In the longer term, however, adequacy might become an issue, mainly due to the low spending on pensions.	• Address income inequality, poverty and social exclusion, including by improving the design of the tax and benefit system.	**Some Progress.** Lithuania has achieved some progress in addressing poverty and social exclusion. The country has taken some measures to address poverty and social exclusion. The increase in universal child benefit will have a positive impact on reducing the risk of poverty and social exclusion for households with children. The indexation and additional increase of pensions is also a step forward in addressing the risk of poverty among older people. Other measures such as an increase in the minimum monthly wage, and amendments on cash social assistance and social housing, are also steps in the right direction, but their effect on poverty and social exclusion is yet to be seen. Lithuania achieved limited progress in addressing income inequality and improving the design of the tax and benefit system. The progressivity of the personal income tax system remains low. Lithuania's tax-to-GDP ratio is one of the lowest in the EU. The increases in real estate taxes in 2020 are expected to have a negligible effect on the tax-to-GDP ratio.
	2. Improve the quality, efficiency and labour market relevance of education and training, including adult learning. Improve the performance of the healthcare system by a further shift from hospital to outpatient care, strengthening disease prevention measures, including at local level, and increasing the quality and affordability of care. Improve the design of the tax and benefit system to reduce poverty and income inequality. *Split into Sub-CSRs*	**Limited Progress.**	2. Improve quality and efficiency at all education and training levels, including adult learning. Increase the quality, affordability and efficiency of the healthcare system. *Split into Sub-CSRs*	**Limited Progress.**
	• Improve the quality, efficiency and labour market relevance of	**Limited Progress** was made in the general education area. The outcomes and efficiency of the general education system remain relatively low. The	• Improve quality and efficiency at all education and training levels, including adult learning.	**Limited Progress.** Lithuania has achieved limited progress in improving the quality and efficiency of its education and training system and adult learning. Further progress is needed to make the system

	education and training, including adult learning.	reforms are ongoing, but no substantial positive effect on educational outcomes has yet been observed, and the efficiency of the education system remains a challenge. Initial VET is in the process of being modernised; while some positive steps have been taken, it had not yet improved sufficiently the supply of relevant skills for the labour market. The reform of the higher education network is slow. The adult learning system is at the initial stage and there has not been any significant improvement in adult participation in learning.		more efficient and to improve the allocation of resources across education levels and between urban and rural areas. The implementation of educational reforms is slow, while participation in adult learning remains well below the EU average.
	• Improve the performance of the healthcare system by a further shift from hospital to outpatient care, strengthening disease prevention measures, including at local level, and increasing the quality and affordability of care.	**<u>Limited Progress</u>** was made in improving the performance of the healthcare system. Though preparatory work has been undertaken, legal frameworks for further consolidating the hospital network and strengthening disease prevention at local level have not been approved yet. Measures were taken to reduce prices of pharmaceuticals, but the measures to address the affordability constraints of specific groups are pending. Measures taken to improve the quality of care were partial, targeting only primary care entities and limited to the introduction of some monitoring indicators. It is premature to assess whether these measures are sufficient to address quality concerns.	• Increase the quality,	**<u>Limited Progress.</u>** Measures taken to improve the quality of the healthcare system are insufficient: the healthcare system performance is not in place, the quality accreditation programme for primary care entities remains voluntary and the progress in the take-up is very slow; the parameters of the effective public health policies are not in place; standards of quality of hospital care remain underdeveloped.
	• Improve the design of the tax and benefit system to reduce poverty and income inequality.	**<u>Limited Progress</u>** was achieved in improving the tax and benefit system. Lithuania has implemented some measures to reduce poverty and social exclusion, namely increasing the level of guaranteed minimum income and introducing the universal child benefit system. The indexation of the minimum income has been established, and the universal child benefit has been increased in 2019. However, public	• affordability and	**<u>Some Progress.</u>** There is some progress in reducing out-of-pocket payments for pharmaceuticals and the legislation to protect the lowest income group and people aged 75+ from co-payments entered into force at the end of 2019.

		spending on social protection is low, and the impact of social transfers on poverty reduction is limited. Lithuania introduced some progressivity in its personal income taxation, but the effects on income inequality are expected to be negligible.		
			• efficiency of the healthcare system.	**Some Progress.** Progress in improving the allocative efficiency of the healthcare system is slow and the stalemate in the restructuring the hospital framework remains a barrier in improving the use of resources across the segments of care, keeping primary care and public health measures underinvested.
	3. Stimulate productivity growth by improving the efficiency of public investment, ensuring efficient governmental coordination of research and innovation policy and tackling gaps and inefficiencies in public measures supporting science-industry cooperation. *Split into Sub-CSRs*	**Limited Progress.**	3. Focus investment-related economic policy on innovation, energy and resource efficiency, sustainable transport and energy interconnections, taking into account regional disparities. Stimulate productivity growth by improving the efficiency of public investment. Develop a coherent policy framework to support science-business cooperation and consolidate research and innovation implementing agencies. *Split into Sub-CSRs*	**Limited Progress.**
	• Stimulate productivity growth by improving the efficiency of public investment,	**Limited Progress** was made in improving the efficiency of public investment. Some interim measures were taken to improve the procedures for the preparation, evaluation and selection of public investment projects. However, the new integrated approach to strategic and investment planning should be put in place only for the 2021-2023 budgeting process.	• Focus investment-related economic policy on innovation,	**Limited Progress.** Despite slow incremental growth of business investment in research and innovation, public investment has fluctuated over the decade. Public investment did not recover in 2018 (0,88 % of GDP)and is lower than the levels of investment in R&I in the 2011-2015 period (0,91-1,04 % of GDP).
			• energy and	**Limited Progress.** Investment figures put forward by Lithuania for 2021-2030 for energy and climate policies and measures doubled between the draft

				national energy and climate plan and the plan's final version. The figure now amounts to €14.1 billion for the period, with investments and energy efficiency and renewables representing 18% and 16% respectively. Lithuania is on track to meet its 2020 renewables target. Nevertheless, the use of renewable energy sources in transport is significantly below the target of 10%. Lithuania has adopted its2021-2030 national energy and climate plan. The 45% share of RES in 2030 declared in the plan is considerably above the 2030 target.
			• resource efficiency,	**Limited Progress.** On energy efficiency, Lithuania increased the ambition of its contribution to the 2030 target between the draft national energy and climate plan and the plan's final version. Lithuania also provided more information on energy efficiency policies and measures in the transport, households, services and industry sectors. Very little progress was made on resource efficiency, while waste management (and in particular the excessive use of landfilling) needs action.
			• sustainable transport and	**Limited Progress.** Lithuania's 2021-2030 national energy and climate plan includes measures to enhance the sustainability of the transport sector. Lithuania plans efficiency gains in the vehicle fleet and in the transport system, increased use of alternative fuels, innovative transport technologies, as well as electrification of railways and taxation based on the polluter pays principle. Specific support is planned for electronic vehicles, including for charging infrastructure. However, more ambition to reduce transport emissions would be welcomed. Regional cooperation would be needed to achieve further investment in sustainable transport through digitalisation and decarbonisation. The transport measures set out in the national energy and climate plan will be further evaluated in the course of 2020.
			• energy interconnections, taking into account regional disparities.	**Some Progress.** As part of the Baltic region that enjoys 23% interconnection capacity, Lithuania has already reached interconnection targets for elec-

				tricity and is now developing a new electricity interconnector with Poland. Natural gas interconnector pipeline capacity development is also advancing, but there have been some delays. Overall implementation of energy infrastructure projects is proceeding according to the schedule outlined in the 2021-2030 National Energy and Climate Plan as well as the priorities agreed in the context of the Baltic Energy Market Interconnection Plan (BEMIP) High-level Group including the Projects of Common Interest.
			• Stimulate productivity growth by improving the efficiency of public investment.	**Limited Progress.** Despite positive developments in public investment planning, improved governance could allow a better targeting of policy priorities. The government's own activity reports indicate delayed actions, reporting shortcomings, and a limited access to information necessary for the efficient implementation of public investment programmes.
	• ensuring efficient governmental coordination of research and innovation policy and tackling gaps and inefficiencies in public measures supporting science-industry cooperation.	**Limited Progress** was made in the area of R&I. R&I policy coordination was slightly improved by reassigning responsibility for it to the Ministry of Economy and the Ministry of Education and Science, and transferring the experimental development in companies file to the Ministry of Economics. However, a coherent new R&I policy still needs to be developed. Some progress was achieved in improving science-industry cooperation. Progressive measures were introduced in the evaluation of universities and research institutes (taking account of their ties with businesses), industrial PhDs, innovation vouchers and other schemes.	• Develop a coherent policy framework to support science-business cooperation and	**Limited Progress.** Initiatives to harmonise the policy framework remain a work in progress. The Innovation Fund and a coherent innovation strategy for Lithuania are still at proposal/development stage. The R&I policy landscape continues to be categorised by a plethora of support initiatives.
			• consolidate research and innovation implementing agencies.	**Limited Progress.** Lithuania has made preparatory work to consolidate agencies. It has carried out a study and internal discussion, but the process is now stalled due to a change in the Minister of Economics and Innovation and the upcoming elections.

LU	2018 CSRs SGP: - MIP: -	Assessment of implementation of 2018 CSRs February 2019	2019 CSRs SGP: - MIP: -	Assessment of implementation of 2019 CSRs February 2020
	1. Increase the employment rate of older people by enhancing their employment opportunities and employability while further limiting early retirement, with a view to also improving the long-term sustainability of the pension system. *Split into Sub-CSRs*	**Limited Progress.**	1. Increase the employment rate of older workers by enhancing their employment opportunities and employability. Improve the long-term sustainability of the pension system, including by further limiting early retirement. *Split into Sub-CSRs*	**Limited Progress.**
	• Increase the employment rate of older people by enhancing their employment opportunities and employability	**Limited Progress.** Limited Progress The employment rate of older workers has stagnated since 2010 and remains one of the second lowest in the EU (39.8% in 2017). Some labour demand oriented policies have been implemented so far, which are having positive results on other population groups, but have failed to improve substantially older workers' participation in the labour market.	• Increase the employment rate of older workers by enhancing their employment opportunities and employability.	**Limited Progress.** Activity and employment rates of people above 60 remain very low. Luxembourg has one of the highest rates of inactive people aged 60-64, at 80.6 % against 53.1 % on EU average, but the situation has improved for workers aged 55-59. Some measures adopted in 2017 and 2018 may explain the slight increase in the employment rate of older workers, but this rate remains substantially below the EU average and there were no new measures in 2019. The Age Pact, a draft law on age management measures intending to help keeping senior workers at work, though introduced in 2014, is still pending in Parliament.
	• while further limiting early retirement,	**Limited Progress.** The average effective retirement age stood at 60.2 in 2016, well below the statutory age of 65. 59.2% were early old-age pensions (average effective age: 59.8). but its impact on the average effective retirement age and on expenditure is still difficult to assess due to an easing of restrictions on other kinds of early retirement schemes. No further measures intending to provide incentives for senior workers to stay longer at work have been announced so far.	• Improve the long-term sustainability of the pension system, including by further limiting early retirement.	**No Progress.** No evolution since 2017. The 'pré-retraite de solidarité', a special scheme allowing people to retire from the age of 57, was abrogated in 2018, but the impact of this on the average effective retirement age and on expenditure is still difficult to assess due to an easing of restrictions on other kinds of early retirement schemes. In 2018, the working group on pensions mandated by the Government concluded that the pension system appears to be not sustainable, amid high uncertainty, in the long term projections at unchanged policies. Following the 2018 general elections, the coalition agreement mentions that the govern-
	• with a view to also improving the long-term sustainability of the pension system.	**Limited Progress.** No evolution since 2017. The 2016 reform of the professional reclassification scheme for persons with working disabilities is expected to reduce the share		

		of disability pensions and the 'pré-retraite de solidarité, a special scheme allowing people to retire from the age of 57, was abrogated in 2018 but its impact on the average effective retirement age and on expenditure is still difficult to assess due to an easing of restrictions on other kinds of early retirement schemes. No further measures intending to provide incentives for senior workers to stay longer at work have been announced so far. In 2018, the working group on pensions mandated by the Government concluded that the pension system appears to be not sustainable, amid high uncertainty levels, in the long term projections at unchanged policies.		ment intends to submit a draft law on partial retirement (i.e. a combination of partial retirement and part-time work) to social partners.
	2. Further reduce regulatory restrictions in the business services sector.	**Limited Progress.** Regulatory restrictions remain above EU weighted average in several regulated professions (according to available indicators). Luxembourg engaged in further reforming the profession of architects (a new draft law is envisaged in the first half of 2019). With the law of 18 July 2018, Luxembourg removed the requirement for professional qualifications to obtain a standard business license.	2. Reduce barriers to competition in regulated professional business services.	**Limited Progress.** Regulatory restrictions remain above EU weighted average in several regulated professions (according to available indicators).
			3. Focus economic policy related to investment on fostering digitalisation and innovation, stimulating skills development, improving sustainable transport, and increasing housing supply, including by increasing incentives and lifting barriers to build. *Split into Sub-CSRs*	**Some Progress.**
			• Focus economic policy related to investment on fostering digitalisation	**Some Progress.** The data-driven innovation strategy for the development of a trusted and sustainable economy in Luxembourg was published in May 2019 and actions have been implemented to promote the digitalisation of small and medium-sized

				enterprises. However, digital integration in the broad economy remains low and despite the higher potential of the Information and Communication Technologies sector, business digitalisation indicators are close to the EU average.
			• and innovation,	**Some Progress.** Tax measures were introduced to encourage investments in innovative companies (adjustments on the level of tax law in 2018). Furthermore, Luxinnovation developed programmes to support innovation in Small and Medium-sized Enterprises such as Fit4Innovation and Fit4Start which provides coaching and financing for start-ups.
			• stimulating skills development,	**Some Progress.** 18 % of adults surveyed in 2018 had a learning experience in the previous four weeks, against an EU average of 11.1 % and for basic and advanced digital skills, Luxembourg scores highest according to the Digital Agenda Scoreboard. The share of unemployed adults participating in learning in Luxembourg in 2018was one of the highest of the EU (almost 30 % against 10.7 % on EU average). Against the background of possible skills mismatches and labour shortages, the public employment service conducted an analysis to identify the needs in cooperation with the Luxembourg business association. Luxembourg's industry federation and Luxembourg's bankers' association, together with the Chamber of Commerce, the Ministry of Education, the Ministry of Higher Education and Research and the public employment service, also launched a survey on skills requested by businesses over the next two years in the field of information and communication technologies to improve the orientation of young people and adapt vocational training and adult learning to the needs. In June2019, the 2008 vocational training reform act was amended to address some technical issues. The Coalition agreement gives specific attention to the development of skills with several projects about the quality of life-long learning, the orientation of young people, employees

				and job seekers, the introduction of a personal training account and training vouchers.
			• improving sustainable transport,	**Some Progress.** Significant investments have been realised and are to be continued to improve the transport system, and in particular public transport. In line with the Strategy for sustainable mobility (MoDu 2.0) the focus remains on a well-functioning multi-modal mobility. Major investments took place on improving the railway system, including cross- border railway connections and the extension of the Luxembourg railway station. The extension of the tramway in the Capital has been continued (phase B) and the installation of a public electric charging infrastructure is progressing.
			• and increasing housing supply, including by increasing incentives and lifting barriers to build.	**Limited Progress.** Housing prices continued to increase and they have accelerated in 2019, compared to previous years. Given the fundamental supply/demand mismatch, prices are expected to increase further. Investment in dwellings remains low, as the pace of construction of new dwellings remains only slightly above the annual average observed since 2000. Housing supply is limited by insufficient incentives to extend built-up areas. Regulations are being adapted so as to make local planning contracts more binding on landowners. The recent territorial management reforms have improved coherence between the different layers of government, yet without achieving the degree of vertical integration that would be needed to significantly improve the effectiveness of national policies aiming at fostering investment in dwellings in the country.
			4. Address features of the tax system that may facilitate aggressive tax planning, in particular by means of outbound payments.	**Limited Progress.** Beyond implementing EU and internationally agreed initiatives, Luxembourg has not yet announced concrete reforms to address aggressive tax planning, in particular by means of outbound payments. However, Luxembourg reported that it has plans to address the issue of outbound payments with regard to jurisdictions included in the

				EU list of non-cooperative jurisdictions for tax purposes.

HU	2018 CSRs SGP: CSR 1 MIP: -	Assessment of implementation of 2018 CSRs February 2019	2019 CSRs SGP: CSR 1 MIP: -	Assessment of implementation of 2019 CSRs February 2020
	1. In 2018, ensure compliance with the Council recommendation of 22 June 2018 with a view to correcting the significant deviation from the adjustment path toward the medium-term budgetary objective. In 2019, ensure that the nominal growth rate of net primary government expenditure does not exceed 3,9 %, corresponding to an annual structural adjustment of 0,75 % of GDP.	The compliance with the SGP is not assessed in the country reports, but in spring 2019 once the final data for the previous year are available. In June 2019, the Commission evaluated compliance with the SGP in its assessment of the 2019 Convergence Programme for Hungary (without using or referring to the assessment grid used for other CSRs): *"In 2018, Hungary further deviated from the adjustment path towards the MTO. The structural balance deteriorated by 0.3% of GDP, thus deviating by 1.3% of GDP from the required adjustment towards the MTO requested by the Council recommendation under the SDP. Similarly, the growth rate of government expenditure, net of discretionary revenue measures, exceeded the applicable expenditure benchmark rate by 1.3% of GDP.* ***Following an overall assessment, this points to a significant deviation from the recommended adjustment path towards the MTO requested by the Council recommendation under the SDP.*** Hungary plans a growth rate of government expenditure, net of discretionary revenue measures, which is ***not in line*** *with the applicable expenditure benchmark rate in both 2019 and 2020.* ***Hungary also plans an improvement of the structural balance of 0.6% and 0.5% of GDP respectively in 2019 and 2020. This path implies a deviation of 0.4% and 0.3% of GDP on the basis of the structural balance from the required adjustment path towards the MTO in 2019 and 2020. The expenditure benchmark is expected to deviate in both years by, respectively, 1.2% and 1.1% of GDP. The Commission 2019 spring forecast confirms***	1. Ensure compliance with the Council Recommendation of 14 June 2019 with a view to correcting the significant deviation from the adjustment path towards the medium-term budgetary objective.	The compliance assessment with the Stability and Growth Pact will be included in Spring when final data for 2019 will be available.

		the risk of deviation both in 2019 and 2020, following an overall assessment." (p. 24-25)		
	2. Continue simplifying the tax system, in particular by reducing sector-specific taxes. Improve the quality and transparency of the decision-making process through effective social dialogue and engagement with other stakeholders and by regular, adequate impact assessments. Reinforce the anti-corruption framework, strengthen prosecutorial efforts and improve transparency and competition in public procurement inter alia through further developing the e-procurement system. Strengthen competition, regulatory stability and transparency in the services sector, in particular in retail. *Split into Sub-CSRs*	**Limited Progress.**	4. Reinforce the anti-corruption framework, including by improving prosecutorial efforts and access to public information, and strengthen judicial independence. Improve the quality and transparency of the decision-making process through effective social dialogue and engagement with other stakeholders and through regular, appropriate impact assessments. Continue simplifying the tax system, while strengthening it against the risk of aggressive tax planning. Improve competition and regulatory predictability in the services sector. *Split into Sub-CSRs*	**Limited Progress.**
	• Reinforce the anti-corruption framework, strengthen prosecutorial efforts and	**No Progress.** Corruption remains a major concern. Hungary's scores on most corruption indicators have deteriorated over the past years based internationally collated indicators. In particular the score on favouritism is weak. The anti-corruption framework mainly focuses on integrity of public services, while determined action on prosecuting high level corruption is lacking. No steps were taken to reinforce the anti-corruption framework. No measures have been taken to reduce favouritism and ensure merit-based appointments at all levels in public administration. Restrictions on access to information hinder corruption prevention. Public	• Reinforce the anti-corruption framework, including by improving prosecutorial efforts and access to public information,	**No Progress.** There is no determined systematic action to prosecute high-level corruption. According to the Prosecutor General's Office, most corruption-related cases involve public officials, typical cases involving tax and customs officials. While some high-level cases have been prosecuted, there is a general perception of impunity among the business community. Hungary reports relatively few cases, while OLAF finds much more in Hungary than in other countries. Restrictions on access to information hinder corruption prevention and the application of fees for accessing public information has a deterrent effect on citizens and NGOs exercising their constitutional right. While the Freedom of Information Act has not been touched, piecemeal

		institutions continued to illegally charge fees for requested documents. Some changes have been introduced in the criminal procedure law in July 2018 to clarify the competences of the prosecution against the police and an increase of resources is also foreseen.		changes to other sectoral laws have continued, corroding the overall transparency and access-to-information framework.
			• and strengthen judicial independence.	**<u>No Progress.</u>** Following deterioration until 2019, the latest data for perceived judicial independence shows improvement based on the forthcoming 2020 EU Justice Scoreboard. Developments of checks and balances in the ordinary courts system have however continued to raise concerns. This has been confirmed by a statement of the Group of States against Corruption (GRECO), a report of the European Association of Judges and by a report of the Council of Europe Human Rights Commissioner. The National Judicial Council faced increasing difficulties in counter-balancing the powers of the President of the National Office of the Judiciary (European Commission, 2019g). The Parliament recently adopted a new piece of legislation in December 2019, introducing structural changes that may have a significant impact on the organisation of the justice system. There was no consultation of relevant stakeholders before the adoption of the law.
	• improve transparency and competition in public procurement inter alia through further developing the e-procurement system.	**<u>Limited Progress.</u>** Efforts have been made by Hungary in 2018 to introduce full electronic public procurement, but there is still a wide scope to further improve transparency in tendering processes. The public procurement data are currently not published in a structured form. The Hungarian e-procurement system does not offer access to the system's data in an open machine-readable format, and there are no searchable functions allowing for listing call for tenders or bids in different categories. Furthermore, there are no functionalities for making aggregate data easily understandable to citizens (e.g. visualisations, statistics).		
	• Improve the quality and transparency of the decision-making	**<u>No Progress.</u>** No substantial changes have been introduced for the system of social dialogue, thereby this still remains underde-	• Improve the quality and transparency of the decision-making process through effective social	**<u>No Progress.</u>** Stakeholder engagement in developing primary law is the lowest among the EU countries in the OECD. The indicators on regulatory quality and the use of evidence-based instruments

	process through effective social dialogue and engagement with other stakeholders and by regular, adequate impact assessments.	veloped and ineffective. In consequence, social partners continue to have very limited influence on national decision-making. Regulatory impact assessments are not available for a significant number of laws. Lack of meaningful consultation and impact assessment leads to a learning by doing approach, which contributes to frequent changes in the legal framework. Fast track legislation combined with the increased number of new laws worsens the stability of the legal framework and leads to higher costs for businesses, discourages innovation and high value added investments. Sometimes targeted legislations penalise actors (such as the sector specific taxes); in other cases they grant benefits or monopolies.	dialogue and engagement with other stakeholders and through regular, appropriate impact assessments.	rank Hungary in the bottom group of countries in the EU. A lack of meaningful consultation and impact assessment leads to a learning- by-doing approach, which contributes to frequent changes to the legal framework. Several tailor-made legal acts penalise actors (e.g. sector-specific taxes); in other cases, they grant benefits (e.g. easing conflict of interest rules and qualification requirements for a specific public office) or monopolies.
	• Continue simplifying the tax system, in particular by reducing sector-specific taxes.	**Some Progress.** In 2019, the government continued simplifying the tax system. The upper rate of the bank levy was lowered further from 0.21 % to 0.2 % and it will stop being applicable for investment companies. The financial transaction tax was abolished for the first HUF 20 000 in individuals' transactions from 2019. The tax system operates around sixty different taxes, many of which are small and generate administrative burden. Recently, some smaller taxes, such as the cultural tax, were phased out, while others were merged.	• Continue simplifying the tax system, while strengthening it against the risk of aggressive tax planning.	**Limited Progress.** While there have been some improvements aimed at simplifying the tax system, there is still a significant amount of complexity. The advertising tax was suspended in July 2019 and several employer contributions are expected to be integrated in a single contribution. Sector- specific taxes distort the economy. The indicators measuring the presence of aggressive tax planning have improved in recent years. However, there has been no significant effort to prevent aggressive tax planning besides the implementation of EU directives.
	• Strengthen competition, regulatory stability and transparency in the services sector, in particular in retail.	**No Progress.** Certain services continue to be entrusted to state-owned or private firms specifically created for these purposes. The government continues to exempt certain mergers and acquisitions from competition scrutiny. Short-term regulatory measures with immediate impact on the business environment are being discussed; once adopted, their impact is still to be measured. The legislation imposing a ban on loss-making has been withdrawn, but a new legislative act on authorisation requirements for	• Improve competition and regulatory predictability in the services sector.	**No Progress.** No progress has been made in improving the competition environment in the services sector. Certain services continue to be entrusted to state-owned or private firms specifically created for these purposes. No changes have been made to improve the functioning of the retail sector.

		the transformation of buildings dedicated to retail has been introduced. This legislation is likely to unnecessarily increase the administrative burden on retail companies.		
	3. Unlock labour reserves through improving the quality of active labour market policies. Improve education outcomes and increase the participation of disadvantaged groups, in particular Roma, in quality and inclusive mainstream education. Improve the adequacy and coverage of social assistance and unemployment benefits. *Split into Sub-CSRs*	**Limited progress.**	2. Continue the labour market integration of the most vulnerable groups, in particular through upskilling, and improve the adequacy of social assistance and unemployment benefits. Improve education outcomes and increase the participation of disadvantaged groups, in particular Roma in quality mainstream education. Improve health outcomes by supporting preventive health measures and strengthening primary healthcare. *Split into Sub-CSRs*	**Limited Progress.**
	• Unlock labour reserves through improving the quality of active labour market policies.	**Some Progress.** The strong economic expansion in Hungary raises employment and wages. The employment rate for the age group 20-64 increased to around 75 % and the unemployment rate fell below 4 % in 2018. However, the gaps in employment and wage outcomes between genders and skills groups remain wide in an EU comparison. Labour market outcomes for various vulnerable groups, including Roma and people with disabilities, are weak. The Public Works Scheme is still disproportionally large. Since 2016 several programmes co-financed by the European Social Fund have been running and facilitating the transition from Public Works Scheme to the primary labour market. Other European Social Fund funded programmes supporting traineeships and entrepreneurship have also been launched and are currently ongoing. The Training of Low-skilled and Public Workers programme targets mostly public workers. Other European Social Fund (and Youth Employment	• Continue the labour market integration of the most vulnerable groups, in particular through upskilling, and	**Limited Progress.** The labour market situation of vulnerable groups has improved in recent years and the size of the public works scheme has decreased. These improvements were mostly driven by cyclical factors which mostly contributed to the increase of low-skilled male employment. Gaps in employment and/or wages remain relatively large. Policy action remains includes, announcement of new nursery school places, pilot for facilitation of transition from the public works scheme to the primary labour market.

		Initiative) supported active labour market programmes initiated in 2015/2016 are being continued. A specific project was also launched to support non-governmental organisations to provide labour market services (such as counselling, mentoring, psychological counselling etc.) for disadvantaged jobseekers. In parallel, participation in the public works scheme is set to decrease, along with the decrease of the budget allocated for the scheme.		
	• Improve education outcomes and increase the participation of disadvantaged groups, in particular Roma, in quality and inclusive mainstream education.	**Limited Progress.** Some measures such as the modification of school catchment areas and establishing anti-segregation officers were taken to prevent segregation. However, their impact is limited by the exemption of non-state schools from the requirement to take disadvantaged pupils, combined with the effect of free school choice. 300 schools showing high rates of drop-out risk are involved in a targeted EU-funded project.	• improve the adequacy of social assistance and unemployment benefits.	**No Progress.** No relevant legal, administrative or budgetary measures have been announced. With one exception (the nursing fee), social assistance benefits, including most importantly the minimum income benefit and the unemployment benefit, have remained nominally unchanged and their adequacy has been further eroded. As part of a multi-annual measure announced back in 2018, the nursing fee has been slightly increased nominally. However, as this change is not new and affects only persons with serious disabilities and those who care for them, there are no grounds for a more favourable assessment of the CSR implementation. Despite the good economic performance, income inequalities have increased over the last decade as the increase of social transfers has not kept pace with the improving economy. There has been no change in the duration of unemployment benefits
	• Improve the adequacy and coverage of social assistance and unemployment benefits.	**Limited Progress.** No substantial change in the level and coverage of social benefits, with a few minor in kind benefits have been expanded. No change in the duration of unemployment benefits, however, the ratio of people staying unemployed for less than three months slightly improved recent years.	• Improve education outcomes and increase the participation of disadvantaged groups, in particular Roma in quality mainstream education.	**Limited Progress.** Educational outcomes are below the EU average (PISA 2018) and large differences between schools remain. Schools are increasingly characterised by the similar socio-economic background of their pupils, with concentrations of disadvantaged pupils in certain schools. Performance-based selection starting at the age of 10 leads to under-achieving pupils being separated from their high-achieving peers and this may contribute to the high proportion of underachievers in Hungary. In addition, the gap in pupil performance between socio-economically advantaged and disadvantaged schools is the largest in the EU. The

				segregation of Roma children and socio-economically disadvantaged children (receiving regular child benefit) deteriorated continuously between 2008 and 2018, the major determining factor being separation between schools within cities and towns. After a strong increase in majority- Roma-segregated schools between 2008 and 2016, there is slower growth/stagnation in their share since 2016.
			• Improve health outcomes by supporting preventive health measures and strengthening primary healthcare.	**Limited Progress.** The Member State has announced certain measures but these address the CSR only to a limited extent. Salaries have been increased in healthcare (8% in 2019, 14% in January 2020), which is relevant also for strengthening primary care. Steps have been taken to improve cancer screening: the EU-funded programme finally reached a stage where actual screening happens and initial steps have been taken to extend the programme. Although it has improved significantly over the last decade, the life expectancy of Hungarians remains the lowest among the Visegrád countries, nearly five years lower than the EU average. Differences in life expectancy by gender and educational attainment level are much larger than those observed across the EU as a whole, reflecting large differences in income and living standards, as well a greater concentration of risk factors among men and people with a lower level of education. Mortality rates from causes that are deemed preventable (e.g. breast and colorectal cancer) are among the highest in the EU, signalling the high prevalence of risk factors and the limited effectiveness of public health measures. In response, in 2019 the Hungarian authorities started implementing the national colon cancer screening programme that was developed in 2017 with the support of EU funds. More than 300,000 citizens in the target population (50-70) were invited to take the faecal occult blood test in 2019, with a take-up rate of about 30%. Moreover, to tackle the high incidence of behavioural risk factors among the Hungarian population, in January 2019 the Hungarian

				authorities increased the public health product tax on a selection of products (e.g. alcoholic beverages, sugary drinks and high-salt foods) by about 20%. Public health expenditure in Hungary is significantly below the EU average, partly reflecting the narrow scope of the benefits package. Consequently, the health system relies to a much greater degree on out-of-pocket spending for its financing, which, as evidenced by Hungary's high rate of catastrophic spending on health, has regressive consequences for access to care. Overall, health care provision remains excessively hospital-centric and primary care does not yet play a sufficiently important role. There have been some efforts to shift volumes of care to the outpatient sector and to promote group practice for general practitioners and greater task-sharing between doctors and other health professionals (e.g. nurses, physiotherapists and dieticians). Although recent pilot projects seem to show promising results, the appropriateness of current funding and the scalability potential of these initiatives remain unclear: more time is needed to make a more accurate assessment.
			3. Focus investment-related economic policy on research and innovation, low-carbon energy, transport infrastructure, and waste management and energy and resource efficiency, taking into account regional disparities. Improve competition in public procurement. *Split into Sub-CSRs*	**Limited Progress.**
			• Focus investment-related economic policy on research and innovation,	**Limited Progress.** R&D spending increased from 0.98% of GDP in 2008 to 1.53% in 2018. This level is high for Central Eastern European countries, but remains below the EU average of 2.11% and Hungary's 2020 target of 1.8%. Public support for private R&D is considerable. Business R&D and innovation expenditure benefited from state subsidies

				amounting to 0.36% of GDP in 2017, the highest level in the EU. However, the shortage of talent and skill limits the innovative activity of Hungarian enterprises. Obstacles to innovation include the limited supply of highly skilled labour. Tertiary education attainment rates are among the lowest in the EU. Recent changes have increased government influence over scientific institutions.
			• low-carbon energy,	**Limited Progress.** Low-carbon renewable sources are improving. Both in the next multiannual financial framework programming period and the draft national energy and climate plan the government aims to prioritise investments in renewable energy sources (mainly solar, however, wind energy is not preferred by regulation in force), energy efficiency measures and electromobility.
			• transport infrastructure, and	**Some Progress.** Spending on road maintenance rose recently with the launch of an upgrade programme for the long neglected lower-class road network. It has started to reverse the earlier decline in road quality, but 61.5% of the road network remains in inadequate or bad condition according to Magyar Kozut. Road development plans maintain a focus on building new motorways and high-speed roads. This could reduce the high centralisation of the network towards the capital. However, with motorway density already at the level of Austria, sound, economic cost-benefit analyses of new projects will be crucial to prevent overspending on motorways. Hungary's draft national energy and climate plan aims to cap transport emissions by relying on electromobility. However, details on how the charging infrastructure will be built and how other alternative fuels will be promoted is not yet available. A stronger role for other alternative fuels, shared mobility, public transport and a modal shift would help to address the environmental burden from transport. The attractiveness of public transport is key to helping labour mobility and mitigating the environmental impact of transport. In the case of train services, HU ranks among the lowest in the EU.

			• waste management and	**Limited Progress.** Although decreasing in importance, landfilling remains the predominant waste management method; as a result of which Hungary is considered at risk of not meeting the 2020 municipal waste recycling target of 50%. Analysis has shown that Hungary did not meet targets for packaging waste recycling in 2012-2015. But measures have been in place since 2018 to improve the glass packaging recycling rate. Hungary has just started to prepare a national circular economy action plan, a new waste management plan and a waste strategy. A circular economy platform was set up in 2018 in association with the Business Council for Sustainable Development in Hungary with 91 companies.
			• energy and resource efficiency, taking into account regional disparities.	**Limited Progress.** Hungary is at risk of failing to meet its 2020 energy saving target. This is largely due to high household energy consumption per capita, which remains 12% higher than the EU average despite considerably lower income levels. Stricter energy efficiency standards for new buildings will come into force from 2021. Both in the next multiannual financial framework programming period and the draft national energy and climate plan the government aims to prioritise investments in renewable energy sources (mainly solar, however, wind energy is not preferred by regulation in force), energy efficiency measures and electromobility. The coal regions in transition initiative might be applicable for transforming a lignite-fired power plant (Matra) into a biomass-fired plant, combined with solar panel installation.
			• Improve competition in public procurement.	**Limited Progress.** In 2019, some measures were taken to improve competition in public procurement, even if they have yet to produce visible results. Ongoing digitalisation helps simplify public procurement procedures, reducing administrative burdens and thus further facilitating access to the procurement market. An amendment to the Public Procurement Act adopted in 2019 abolished a type of procedure used in the national regime for tenders below EU thresholds, which the Commission

				considered to be non-transparent and a barrier to competition. Competition in public procurement is still relatively weak. The proportion of tenders with a single bid has remained high over the last 5 years. Transparency in public procurement has continued to improve. Easy accessibility of public procurement data, which would be crucial in monitoring anomalies, is not ensured, as there is no progress in the public administration and public service development operational programme to make the e-procurement database downloadable/searchable (including contract award notices).

MT	2018 CSRs SGP: - MIP: -	Assessment of implementation of 2018 CSRs February 2019	2019 CSRs SGP: - MIP: -	Assessment of implementation of 2019 CSRs February 2020
	1. Strengthen the overall governance framework by enhancing the national supervision of internationally oriented financial businesses licensed in Malta, by ensuring the effective enforcement of the Anti-Money Laundering framework and by continuing to step up the fight against corruption.	**Limited Progress.** Some steps have been taken on financial supervision and against money laundering. The MFSA has introduced a number of strategic initiatives aimed at enhancing its supervisory capacity and regulatory performance. No significant steps have been taken to strengthen the anti-corruption framework. In particular, the police still appears understaffed. A reform is planned to increase the capacity of the Economic Crimes Squad by 2020. Also, the Permanent Commission against Corruption (PCAC) conducts investigations either on its own initiative or in response to reports by anyone. However, structural flaws hinder its ability to independently and effectively fulfil its role.	2. Address features of the tax system that may facilitate aggressive tax planning by individuals and multinationals, in particular by means of outbound payments. Strengthen the overall governance framework, including by continuing efforts to detect and prosecute corruption. Continue the ongoing progress made on strengthening the anti-money- laundering framework, in particular with regard to enforcements. Strengthen the independence of the judiciary, in particular the safeguards for judicial appointments and dismissals, and establish a separate prosecution service. *Split into Sub-CSRs*	**Limited Progress.**
			• Address features of the tax system that may facilitate aggressive tax planning by individuals and multinationals, in particular by means of outbound payments.	**No Progress.** Economic evidence suggests that Malta's tax rules are used for aggressive tax planning purposes. Specifically, rules such as the absence of withholding taxes and the design of Malta's investor citizenship and residence schemes are causes for concern. Aside from the transposition of EU Directives in this area, which are not sufficient to address existing concerns, no additional reforms were announced.
			• Strengthen the overall governance framework, including by continuing efforts to detect and prosecute corruption.	**Limited Progress.** The resources for the police are being improved. However, the efforts to detect and prosecute corruption need to be further strengthened to meet existing concerns.
			• Continue the ongoing progress made on strengthening the anti-money- laundering	**Some Progress.** Some progress was achieved in strengthening the enforcement of the anti-money laundering framework. The Financial Intelligence Analysis Unit (FIAU) made substantial progress in

			framework, in particular with regard to enforcements.	enhancing its supervisory capacity. The increase in the human resources and the implementation of a risk-based approach to supervision have already yielded good results. Steps have also been taken to strengthen the cooperation between the FIAU and the Malta Financial Services Authority (MFSA), but the MFSA's practice of insourcing a private consultancy for supervisory tasks is of concern. Steps have been taken to address the risks of remote gaming through cooperation between the FIAU and the Malta Gaming Authority, while an assessment of the risk exposure of virtual assets is under way. At the same time, limited progress was achieved as regards the enforcement of repressive measures against Money Laundering. While a reform of the Financial Investigation Department within the police is underway, including a recent increase in human resources, results have not materialised yet. Achievements in terms of investigations, prosecutions and convictions for money laundering and related offences remain limited.
			• Strengthen the independence of the judiciary, in particular the safeguards for judicial appointments and dismissals, and establish a separate prosecution service.	**Limited Progress.** The government announced its intention to tackle the issue but concrete measures on the appointment and dismissal of judges have not been taken yet. On the prosecution services, the government took steps to create an autonomous prosecution service, with the adoption of the State Advocate Act in July 2019. This legislation aims at separating the Attorney General's dual role as the primary public prosecutor and as the primary government consultant in legal matters. However, the reform is not sufficient to meet existing concerns with regards to the independent functioning, effectiveness and accountability of the prosecution services. Concerns remain over checks and balances in the appointment procedure of the Attorney General, which in practice remain under the exclusive power of the Prime Minister.
	2. Ensure the sustainability of the health care and the pension systems, including by increasing the statutory retirement age	**Limited Progress.** In the area of pensions, a Pension Strategy Group was established in 2018 and a report is expected by December 2020, outlining	1. Ensure the fiscal sustainability of the healthcare and pension systems, including by restricting early	**No Progress.** As regards the pension system, the adequacy of the average level of pensions is in line with EU average and measures to increase employment of older age

	and by restricting early retirement.	recommendations for improving adequacy and sustainability of the pension system. Efforts are continuing to diversify retirement income and reduce dependency on state pensions. The 2019 budget strengthens the fiscal incentives for private pension savings and voluntary occupational retirement pensions. The authorities are also incentivising older workers to return to work and stay in work longer, through changes to contributions paid, and addressing low education attainment levels to increase activity, employment and productivity of the population. A first assessment of these initiatives points to very little or no impact on the sustainability of the pension system, but possible increases in non-pension income. In the area of health, services are continuing to be decentralised — from hospitals to the primary care level — with new regional primary care centres being built and investment made to gradually expand the use of eHealth. Acute and geriatric care capacity will increase by means of a public-private partnership between the government and a private hospital operator, which provides for the refurbishment, development and management of three public hospitals in Malta and Gozo. While these initiatives seem to go into the right direction, it is not yet clear how they will affect the Maltese health system's long-term fiscal sustainability.	retirement and adjusting the statutory retirement age in view of expected gains in life expectancy.	cohorts as well as incentivising people to prolong their working lives are steps in the right direction. However, public expenditure on pensions is not sustainable in the long term in the absence of further action such as restricting early retirement and/or adjusting the statutory retirement age. Moreover, the additional â‚¬3.51 weekly (<u>Remark by EGOV: it must be a typo in the country report</u>) increase in public pensions announced with the 2020 budget is assessed as an action that would increase the pressure on public expenditure on pensions in the long term, even if potential benefits from higher population projections would materialize, and therefore, would not address the sustainability problem raised by the 2019 CSR. As regards the healthcare policies, two regional primary care centres with emergency care services are being built and investments to gradually expand the use of eHealth are in progress, thus creating the basis for limiting unjustified hospital admissions and the use of hospital emergency care. Capacities of institutional and home-based LTC are being expanded which may reduce the length of stay in geriatric clinics. Concrete results of these efficiency potentials and their impact on long-term fiscal sustainability, however, will become evident only in a few years time.
			3. Focus investment-related economic policy on research and innovation, natural resources management, resource and energy efficiency, sustainable transport, reducing traffic congestion and inclusive education and training. *Split into Sub-CSRs*	**Some Progress.**

			• Focus investment-related economic policy on research and innovation,	**Some Progress.** With support from ESIF, the government has invested in research infrastructures aiming to improve teaching and research capacity of the public sector. The National R&I Strategy post-2020 is under preparation, smart specialisation strategy is being updated and the National AI Strategy launched in autumn 2019. The results of these policies are to be evaluated in the coming years.
			• natural resources management,	**Some Progress.** With regard to water management, the Net Zero Impact Water Utility Project is expected to bring about a holistic improvement in the water sector in terms of security of supply, quality, groundwater conservation and operation efficiency. The Maltese waste water treatment has been confronted with the dumping of farm manure into the collecting systems. This caused a capacity problem, but also a treatment one, as the Urban Waste Water Treatment technology is not adapted to this type of waste. The Maltese authorities reported progress on this, by taking measures to separate the two waste water streams, and thus provide an alternative to farmers. The problem was reported to be solved for Gozo and Malta island in 2020 - separate facilities will be put in place to manage the farm waste by March, and then the access to the Urban Waste Water collection system will be sealed off for farmers by autumn. Solidified manure will return to farmers as fertilizer, and liquid is converted into irrigation water. In parallel, works are going on to improve the capacity/technology for the plants in south and north of Malta island. Some measures aimed at optimising the management of rainwater runoff through valley management initiatives and the development of on-field storage facilities, in particular aimed at addressing the demand of the agricultural sector, have been taken. Sea water infiltrations are being also dealt with. Solar energy remains the predominant renewable energy source in Malta. An assessment of Malta's technical potential for solar photovoltaic was conducted by the Energy & Water Agency in 2018. The

				technical potential assessment indicates that photovoltaic deployment post-2020 will be largely limited to suitable rooftops within the residential, commercial and industrial sectors, as well as a handful of ground-mounted systems. Development and construction trends supported by strong economic growth lead to an increase in the number of rooftops which are deemed unsuitable for photovoltaic installations.
			• resource and energy efficiency,	**Some Progress.** Progress is still limited as regards improving energy efficiency, in particular in the transport and building sectors. In particular the housing sector generates a number of negative externalities, including on greenhouse gas emissions from waste, heating and cooling. Given the high growth rates in both the residential and non- residential sectors, energy performance requirements have to be set, and most importantly, enforced rigorously. On 6 May 2019 a national roundtable on Financing Energy Efficiency in Malta was organized in partnership with the UN Environment Finance Initiative and the Ministry of Transport, Infrastructure and Capital Projects of Malta. This event revealed the various structural barriers of the buildings sector in Malta, the investment needs and the necessary reforms needed to boost renovation rates and raise awareness in developing investment projects and programmes in sustainable energy. Within the framework of the Smart Financing for Smart Buildings Initiative the European Investment Bank (Group approved and signed EUR 12m funding agreement with Malta using European Structural and Investment Funds (ESIF) resources. The decision to make use of the statistical transfer mechanism to close the gap towards the 2020 renewable energy target is considered a good improvement. As precise identification of the avenues for this statistical transfer (i.e. MS from where to source the statistical transfer) is at the moment not provided, meeting the 2020 renewable energy target remains uncertain. According to the "Early

				Warning Report" Malta is considered at risk of missing the 2020 municipal waste recycling target of 50 %. Heavy reliance on waste disposal is not in line with EU targets and is an unnecessary pressure on its limited land. On construction & demolition waste, a Public Consultation on the Construction and Demolition Waste Strategy for Malta 2020-2025 was conducted. This strategy aims at making its economy more circular by treating construction waste as a resource. For the moment, Malta has recorded an increase of construction & demolition recycling rate and fosters reuse of materials to prevent them from entering this waste stream.
			• sustainable transport, reducing traffic congestion and	**Limited Progress.** Malta is based on road transport, with internal maritime transport being a potential alternative, while limited. In line with the National Transport Plan 2025, investment is being focused on a number of measures to encourage a modal shift from the private car to collective sustainable and alternative low carbon transport mode through the use of harbour ferry connections for travel within Malta. There are some promotion of incentives to reduce private vehicle use in an attempt to reduce congestion, which remains the main transport issue. Incentives are also going to cycling, electrification of cars, intelligent transport systems in the SUMPs. While the development of road infrastructure remains a Government's priority, it is unclear to what extent planned road projects will contribute to enabling modal shift and much needed expansion of public transport offers and improved reliability of buses. A key measure taken by the Maltese authorities is the adoption of a reform of the public transport service. Free public transport was extended this year to include 14- and 20-year olds and full- time students over the age of 20. As from 2020 free public transport is also being extended to persons over the age of 75. There are no reliable assessments of the impact of new transport measures under the Transport Master Plan will have on greenhouse gas emissions. Ongoing studies on a mass rapid transit

				system and a phase out of internal combustion engines are promising signs. The introduction of measures to promote further the use of alternative fuels in the transport sector is considered a positive development.
			• inclusive education and training.	**Some Progress.** Some progress have been made to make education more inclusive for all. A policy on inclusive education in schools and a national inclusive education framework were published in 2019. However, progress remains to be done in ensuring a full implementation of the new policy across and within schools. Induction programmes for newly arrived pupils who cannot communicate in Maltese or English have been set up. Malta has also requested technical support from the Commission to improve the quality of services provided by the Migrant Learners' Unit. Measures remain to be taken to reduce differences in student outcomes between different types of schools. Although positive results have been recorded such as the decline in the rate of early leavers from education and training and increases in tertiary education attainment, comparatively high levels of spending are not leading to better educational outcomes for all. Education outcomes are generally lower in EU comparison and this suggests some challenges in efficiency of spending. Malta improved the labour market relevance of both initial and continuous VET. Despite the high employability of initial vocational education and training graduates and important measures implemented in the last years, its take up remains low. Malta also increased its upskilling and adult learning offer, but the take up is low, especially for SMEs, despite the fact that the share of low- skilled adults is high and that employers report difficulties in recruiting and retaining skilled workforce.

NL	2018 CSRs SGP: - MIP: CSR 1, 2	Assessment of implementation of 2018 CSRs February 2019	2019 CSRs SGP: - MIP: CSR 1, 3	Assessment of implementation of 2019 CSRs February 2020
	1. While respecting the medium-term objective, use fiscal and structural policies to raise public and private investment in research, development and innovation. Take measures to reduce the debt bias for households and the remaining distortions in the housing market, in particular by supporting the development of the private rental sector. *Split into Sub-CSRs*	**Substantial Progress.**	1. Reduce the debt bias for households and the distortions in the housing market, including by supporting the development of the private rental sector. Ensure that the second pillar of the pension system is more transparent, intergenerationally fairer and more resilient to shocks. Implement policies to increase household disposable income, including by strengthening the conditions that support wage growth, while respecting the role of social partners. Address features of the tax system that may facilitate aggressive tax planning, in particular by means of outbound payments, notably by implementing the announced measures. *Split into Sub-CSRs*	**Some Progress.**
	• While respecting the medium-term objective, use fiscal and structural policies to raise public and private investment in research, development and innovation.	**Substantial Progress.** The government is implementing a fiscal stimulus, which includes public investment, while respecting the medium-term objective. The announced increase in R&D expenditure in 2019 has been incorporated in the budget law. The R&D tax credit budget (WBSO) will also be increased from 2020 onwards, increasing the subsidy on R&D related costs. At the same time, a gap remains compared to the R&D target of 2.5% of GDP.	(Remark by EGOV: In 2019, CSR 3 covers the topic of the first Sub-CSR of the 2018 CSR 1; see below CSR 3)	
	• Take measures to reduce the debt bias for households and the remaining distortions in the housing market,	**Some Progress.** The announced acceleration of the reduction in mortgage interest deductibility has been adopted by Parliament and will take effect between 2020 and 2023. While this helps to address the debt	• Reduce the debt bias for households and the distortions in the housing market, including by supporting the development	**Some Progress.** The accelerated reduction of the applicable rate for mortgage interest tax deductibility is being implemented from 2020, with the rate being reduced by 3 pps per year to 37% in 2023. While this helps to address the debt bias for

	in particular by supporting the development of the private rental sector.	bias for households, a substantial subsidy on debt-financed homeownership remains. The government also submitted a draft law to Parliament to increase supply in the mid-priced rental market (Wet maatregelen middenhuur).	of the private rental sector.	households, a substantial subsidy on debt-financed home- ownership remains. The Dutch authorities announced a package of housing market measures in September 2019, aimed primarily at boosting construction, including in the private rental sector. However, their impact remains uncertain.
			• Ensure that the second pillar of the pension system is more transparent, inter-generationally fairer and more resilient to shocks.	**<u>Some Progress</u>**. The social partners and government reached a framework agreement on pension reform in June 2019. Overall, the agreement aims to address the vulnerabilities in the pension system (such as weak intergenerational fairness (due to 'doorsneesystematiek') and lack of transparency) while maintaining its strengths: compulsory participation, collective implementation, collective risk sharing and supportive tax rules. The agreement holds significant promise and addresses key distortions in the second pillar system (i.e. it removes the structural intergenerational transfers present under the doorsneesystematiek approach and reduces the procyclical impact of the system (as market shocks should no longer impact premiums), while at the same time it will be better equipped to deal with flexible career paths). However, the implementation of some important elements is still ongoing. Some legislative measures have already been taken, but the overall legislative process is expected to take until early 2021, with the new framework gradually being phased in from 2022.
			• Implement policies to increase household disposable income, including by strengthening the conditions that support wage growth, while respecting the role of social partners.	**<u>Some Progress.</u>** Wage growth is increasing but has remained subdued in real terms in recent years. However, it is expected to pick up in 2020 with a further tightening of the labour market. Wage growth in collective agreements increased on average by 2.6% in 2019 – the fastest pace in 10 years. In addition, the government has taken tax measures for 2020, including raising the working tax credit (arbeidskorting) and the general tax credit (algemene heffingskorting), to stimulate disposable household income.

			• Address features of the tax system that may facilitate aggressive tax planning, in particular by means of outbound payments, notably by implementing the announced measures.	**Some Progress.** There was some progress in addressing the country-specific recommendation on addressing aggressive tax planning. The Netherlands introduced a conditional withholding tax on royalty and interest payments, which will enter into force in January 2021. However, its effectiveness in addressing the issue of aggressive tax planning remains to be seen.
	2. Reduce the incentives to use temporary contracts and self-employed without employees, while promoting adequate social protection for the self-employed, and tackle bogus self-employment. Create conditions to promote higher wage growth, respecting the role of the social partners. Ensure that the second pillar of the pension system is more transparent, inter-generationally fairer and more resilient to shocks. *Split into Sub-CSRs*	**Limited Progress.**	2. Reduce the incentives for the self-employed without employees, while promoting adequate social protection for the self-employed, and tackle bogus self-employment. Strengthen comprehensive lifelong learning and upgrade skills notably of those at the margins of the labour market and the inactive. *Split into Sub-CSRs*	**Limited Progress.**
	• Reduce the incentives to use temporary contracts and self-employed without employees, while promoting adequate social protection for the self-employed,	**Limited Progress.** The draft bill Wet Arbeidsmarkt in Balans (sent to Parliament on 7 November 2018) contains a package of proposed measures to make it easier to hire permanent employees and to make flexible contracts less flexible. It should be seen as a first step in a broader process of labour market regulation reform measures and ongoing reflections on how to best tackle distinct institutional drivers properly. In addition, a committee of independent experts was set up to advise the government on how to regulate the labour market in the future taking into account the changing economy and society. It should present its report and findings at the latest by 1 November 2019. On possible initiatives for the self-employed without employees, the Minister informed	• Reduce the incentives for the self-employed without employees, while promoting adequate social protection for the self-employed,	**Limited Progress.** In order to reduce incentives for the use of self-employed, the government announced its intention to introduce a general minimum hourly rate of EUR 16 for all self-employed without employees providing services to both business and private clients, in combination with an opt-out of payroll taxes and employee's insurances, as well as parts of labour law, collective agreements and pension obligations for those self-employed applying an hourly rate of EUR 75 or more. A public consultation on the respective draft bills implementing the intended proposals has been launched on 28 October 2019 in view of them becoming law by 1 January 2021. The government is expected to send the final draft bills to Parliament in 2020. The government also announced its intention to gradually decrease the tax deduction

		Parliament on 26 November 2018 on the current state of play of ongoing reflections on possible social security coverage for sickness and disability of the self-employed. However, no concrete measures have been announced/adopted yet.		and improve social security coverage for self-employed workers. The deduction is set to be reduced by EUR 250 per year until 2028 (when the maximum deductible amount will be EUR 5 000. With respect to a possible social security coverage for sickness/disability for self-employed, the government and social partners decided to introduce mandatory disability insurance for the self-employed as part of their agreement in principle on the reform of the pension system of 5 June 2019. In consultation with organisations representing the self-employed, discussions are ongoing in the 'Stichting van de Arbeid' platform on how to implement this agreement. A concrete proposal [is expected in] early 2020 and it is the government's intention to send a legislative proposal to Parliament before summer 2020. Possibilities to increase the pension coverage for the self-employed on a voluntary basis are currently equally being assessed and results are expected to be presented before summer 2020.
	• and tackle bogus self-employment.	**No Progress.** Despite ongoing reflections and discussions on how to tackle bogus self-employment no concrete measures have been adopted or announced.	• and tackle bogus self-employment.	**Limited Progress.** The suspension of the enforcement of measures adopted to tackle bogus self-employment, initially foreseen until 2020, has been further extended until 2021. Nevertheless, the criterion 'under the control and direction' ('gezagsverhouding') has been clarified as of 1 January 2019, while in addition, a draft questionnaire has been developed in view of implementing a web module to qualify the working relationship of self- employed workers, in particular when there is no employment relationship. Further information on the state of play with respect to the development of the web module itself is expected to be provided in 1st quarter 2020.
	• Create conditions to promote higher wage growth, respecting the role of the social partners.	**Some Progress.** Wages in collective agreements increased on average by 2.1% in 2018. Public sector wages increased at a faster rate (by 3% in the second half of 2018), with wage agreements leading to a nominal increase of 7% in two years for all civil servants in central government. Additional fund-	• Strengthen comprehensive life- long learning and upgrade skills notably of those at the margins of the labour market and the inactive.	**Some Progress.** The Dutch government presented in October 2018 a new strategy to create a genuine learning culture and give more ownership to individuals for their training. An important element of it is to promote individual training budgets through the so-called STAP (Stimulans Arbeidsmarktpositie, Stimulus for labour market par-

		ing has been provided to increase the salaries of primary school teachers. The government has taken tax measures that support higher disposable real incomes of households. Overall, wage growth is expected to increase further due to a further tightening labour market.		ticipation) initiative which replaces the tax deduction for educational expenses. A budget of EUR 200 million per year will be allocated to it. An individual would be able to receive a subsidy of maximum EUR 1 000 to cover training costs. With the STAP budget, anyone with a link to the Dutch labour market could be enabled to use training for their own development and employability. It is scheduled to enter into force scheduled from January 2022. In addition, an internet consultation has been launched in November 2019 with respect to a draft regulation to stimulate life-long learning in small and medium sized enterprises and the agricultural, hospitality and recreation sectors specifically (SLIM regeling), for which EUR 48 million will be made available annually.
	• Ensure that the second pillar of the pension system is more transparent, inter-generationally fairer and more resilient to shocks.	**Limited Progress.** Despite a shared understanding among stakeholders of the need for comprehensive pension reform, negotiations stalled in mid-November 2018. The government informed Parliament with a letter setting out the government initiatives to continue reforming the occupational pension system in early February 2019.		
			3. While respecting the medium-term budgetary objective, use fiscal and structural policies to support an upward trend in investment. Focus investment-related economic policy on research and development in particular in the private sector, on renewable energy, energy efficiency and greenhouse gas emissions reduction strategies and on addressing transport bottlenecks. *Split into Sub-CSRs*	**Some Progress.**
			• While respecting the medium-term budgetary objective, use fiscal and	**Some Progress.** The Dutch authorities are implementing a fiscal expansion for 2020 and have passed legislation to set-up Invest-NL, a national promotional institution with a mandate to support

			structural policies to support an upward trend in investment.	private-sector investment. However, there remains scope to boost public investment further as the Netherlands has some remaining fiscal space.
			• Focus investment-related economic policy on research and development in particular in the private sector,	**Limited Progress.** Revised R&D figures show slow progress regarding the private R&D intensity and a slight decline in the public R&D intensity. The total R&D intensity stabilizes, but lags behind the national target of 2.5% in 2020 and the R&D intensity of co- leaders in innovation. Although new policy measures have been announced, their impact remains to be seen.
			• on renewable energy, energy efficiency and greenhouse gas emissions reduction strategies	**Some Progress.** The Netherlands adopted a Climate Change Act setting greenhouse gas reduction targets for 2030 and 2050, as well as a Climate Agreement with a set of adopted and proposed policies for meeting the 2030 target, including an analysis on investment needs. However, some work still needs to be done to define an overarching and coherent climate investment agenda addressing both public and private sectors.
			• and on addressing transport bottlenecks.	**Some Progress.** The Government agreement set out a clear path with measures to address the increasing traffic on the road, rail, water and in the air. However, there remains room for further improvement.

AT	2018 CSRs SGP: CSR 1 MIP: -	Assessment of implementation of 2018 CSRs February 2019	2019 CSRs SGP: - MIP: -	Assessment of implementation of 2019 CSRs February 2020
	1. Achieve the medium-term budgetary objective in 2019, taking into account the allowance linked to unusual events for which a temporary deviation is granted. Ensure the sustainability of the health and long-term care and the pension systems, including by increasing the statutory retirement age and by restricting early retirement. Make public services more efficient, including through aligning financing and spending responsibilities. *Split into Sub-CSRs*	**Limited Progress** (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact). In June 2019, the Commission evaluated compliance with the SGP in its assessment of the 2019 Stability Programme for Austria (without using or referring to the assessment grid used for other CSRs): *"In 2018, Austria achieved its MTO. Based on both the information contained in the Stability Programme and the Commission 2019 spring forecast, the structural balance is expected to overachieve the medium-term budgetary objective in 2019 taking into account the allowance granted for unusual events. If such achievement of the medium-term objective is not confirmed in future assessments, the overall assessment of compliance will need to take into account the extent of the deviation from the requirement set by the Council. Similarly, in 2020, on the basis of the Stability Programme, Austria is expected to overachieve its MTO, in line with the Commission forecast. Austria complied with the debt reduction benchmark in 2018 and, based on both the Stability Programme and the Commission forecast, Austria is expected to meet the debt reduction benchmark also in 2019 and 2020."* (p. 20)	1. Ensure the sustainability of the health, long-term care, and pension systems, including by adjusting the statutory retirement age in view of expected gains in life expectancy. Simplify and rationalise fiscal relations and responsibilities across layers of government and align financing and spending responsibilities. *Split into Sub-CSRs*	**Limited Progress.**
	• Achieve the medium-term budgetary objective in 2019, taking into account the allowance linked to unusual events for which a temporary deviation is granted.	*See grey part above.*	• Ensure the sustainability of the health,	**Some Progress.** Important reform measures to address the CSR, such as the introduction of the 'target-based governance' system and, the 2017 Primary Healthcare Act, and a reform to merge the 21 social health insurance funds have been adopted in recent years and are now currently being implemented. The reform to merge the 21 social health

				insurance funds to 5 is also expected to improve efficiency. There is progress, but implementation is not fully on track for every reform and the savings potential of each of the reforms is still unclear. The overutilization of hospital and pharmaceutical care, the general overlap of competencies in the health care sector, and the role of prevention remains to be addressed. According to the second comprehensive monitoring report for the period 2017-2021, the expenditure remains still beneath the ceilings in the years 2017 to 2019.
	• Ensure the sustainability of the health	**Some Progress.** Public expenditure remains below the legislated ceilings and structural measures contribute to dampen expenditure growth but fiscal sustainability issues persist. The announced merger of social security funds will bring about high upfront costs of yet unknown magnitude.	• long-term care,	**Limited Progress.** Despite recent measures, public expenditure for long-term care is still a problem for fiscal sustainability. There have been no substantial changes in the system of service delivery. The abolition of the recourse to assets (Pflegeregress) has led to increased public spending.
	• and long-term care	**Limited Progress.** Implemented measures generally support the de-institutionalisation of long-term care. However, the abolishment of the 'Pflegeregress' may have the opposite effect in addition to requiring higher public spending with negative effects for the fiscal sustainability of the system.	• and pension systems, including by adjusting the statutory retirement age in view of expected gains in life expectancy.	**Limited Progress.** Past reform efforts were aimed at strengthening the sustainability of the pension system, while recent measures partly do the opposite. The 2020 Pension Adjustment Act (adopted in the run-up to the snap elections at the end of September 2019) not only fails to address sustainability challenges but includes measures that actually undermine previous reform efforts. While a targeted increase of low pension incomes may be justified by the objective of pension adequacy, the undiscounted pension after 45 contribution years thwarts previous efforts to increase the effective pensionable age and also raises fairness issues. Neither does is make sense in the light of recently observed labour market shortages.
	• and the pension systems, including by increasing the statutory retirement age and by restricting early retirement.	**Limited Progress.** The focus is on increasing the effective retirement age by restricting access to early retirement. No measures have been adopted to increase the statutory retirement age.	• Simplify and rationalise fiscal relations and responsibilities across layers of government and align financing and spending responsibilities.	**Limited Progress.** The 2017 Intergovernmental Fiscal Relations Act introduced numerous changes, but cannot be considered a major step to greater tax autonomy or a more transparent assignment of competence. Work in these areas is still ongoing. Implementation of several initiatives introduced by the Act paints a mixed picture. While measures have been taken to simplify the allocation of funds in the fiscal equalisation, measures to improve the

				efficiency of public spending have been less successful. The plan to introduce a task-oriented allocation of shared taxes to municipalities in the fields of elementary education and compulsory schools was suspended having failed to produce results. It is expected that the first spending reviews to assess the effectiveness and efficiency of subnational public spending in the areas of health care in schools and municipal water management will be finalised in early 2020. The benchmarking model was established for a comparative assessment of the efficiency and effectiveness of subnational spending and is being extended to other policy areas. The Kompetenzbereinigungspaket can be seen as a first step in the right direction, but more needs to be done
	• Make public services more efficient, including through aligning financing and spending responsibilities.	**Limited Progress.** The Intergovernmental Fiscal Relations Act 2017 has introduced numerous changes but cannot be considered a major step towards increased tax autonomy or a more transparent assignment of competences. Work in these areas is still ongoing and several initiatives such as task-oriented financing and spending reviews are at risk of being delayed. A comprehensive constitutional reform for a more transparent assignment of competences is high on the political agenda. The "Kompetenzbereinigungspaket" can be seen as a first step into the right direction but more needs to be done.		
	2. Reduce the tax wedge, especially for low-income earners, by shifting the tax burden to sources of revenue less detrimental to growth. Improve labour market outcomes of women. Improve basic skills for disadvantaged young people and people with a migrant background. Support productivity growth by stimulating	**Some Progress**.	2. Shift taxes away from labour to sources less detrimental to inclusive and sustainable growth. Support full-time employment among women, including by improving childcare services, and boost labour market outcomes for the low skilled in continued cooperation with the social partners. Raise the	**Limited Progress.**

	digitalisation of businesses and company growth and by reducing regulatory barriers in the service sector. *Split into Sub-CSRs*		levels of basic skills for disadvantaged groups, including people with a migrant background. *Split into Sub-CSRs*	
	• Reduce the tax wedge, especially for low-income earners, by shifting the tax burden to sources of revenue less detrimental to growth.	**Some Progress.** While several measures have been implemented that contribute to reducing the tax wedge on labour, the overall tax structure remains basically unchanged. The potential to shift the tax burden to other bases (e.g., wealth or environmentally harmful activities) still remains under-utilized.	• Shift taxes away from labour to sources less detrimental to inclusive and sustainable growth.	**Some Progress.** Austria's still high labour tax burden creates significant disincentives for labour demand and supply. However, the labour tax wedge is reduced by recent measures: Family Bonus plus, reduction of employer's accident insurance contribution, lower health contributions for the self-employed and farmers, increase of pensioner's tax credit, traffic tax credit and increased reimbursement of social security contributions for employees and pensioners. A future-oriented strategy to support environmental sustainability, fairness and inclusiveness would require a more comprehensive reform of the tax mix. Several measures go in this direction, but more needs to be done to secure efficiency gains. The following measures have been implemented: greening of the tax system, digital tax package.
	• Improve labour market outcomes of women.	**Some Progress.** Labour market outcomes of women improved mainly as a result of implementing the Agreement (in accordance to Art 15a of the Federal Constitution Act) of the government with the provinces on early childhood education and care for the years 2018/19 until 2021/22. This led to expansion of formal childcare opportunities for children under the age of 3 years and an increase of full-day school forms. In the absence of other measures, female employment rates still increased mainly due to part time employment the share of which remains high together with a high gender pay and employment gap. The Barcelona target has still not been reached and there are disparities in childcare provision between the regions.	• Support full-time employment among women, including by improving childcare services,	**Some Progress.** Increased support for childcare facilities and the expansion of all-day schools created more opportunities for parents of young children. The government adopted the Educational Investment Act (Bildungsinvestitionsgesetz).

	• Improve basic skills for disadvantaged young people and people with a migrant background.	**Limited Progress.** Expansion of all day schools risks to slow as the implementation period of the additional funding (EUR 750 million) that has already been made available has been doubled, now until 2032. Reforms intentened and implemented partially counteract previous reforms. They are not always in line with best practice in the OECD and the EU, therefore their positive impact has still to materialize. This is also the case for the pedagogical package (Pädagogikpaket 2018). Positive is that formerly temporary funding for German language support has now been integrated into the education budget. However this was done without making available additional resources for the education budget.	• and boost labour market outcomes for the low skilled in continued cooperation with the social partners.	**No Progress.** No specific measures have been taken so far.
	• Support productivity growth by stimulating digitalisation of businesses	**Some Progress.** The "KMU Digital" programme to support business digitalisation has been prolonged by three months. A new digital agency has been established which will develop policies in five key areas, including business digitalisation. A call for proposal to establish Digital Innovation Hubs in the regions has been launched. These hubs will support small and medium-sized enterprises, universities and municipalities in the uptake of digital technologies.	• Raise the levels of basic skills for disadvantaged groups, including people with a migrant background.	**Limited Progress.** Austria has taken some measures to improve the basic skills of disadvantaged young people and people with a migrant background. The 'pedagogical package' concentrates on introducing numerical marks and grade repetition. The non-academic lower secondary school reintroduces streaming, while as of 2022 new methods to determine school readiness should be available. While the numbers of places in early childhood education and care and all-day schools have been increased, their quality needs to be assured to have a positive impact on basic skills. International and national testing has not detected particular improvements among disadvantaged young people, including those with a migrant background.
	• and company growth and by reducing regulatory barriers in the service sector.	**Limited Progress.** As a key measure to improve (fast) growing companies' access to the necessary funding, Austria adopted a revision of its stock corporation law to remove obstacles to SME listings on the Viennese stock market. The lack of a specific segment dedicated to SME at the Vienna Stock Exchange was a marked contrast to other countries. Service sector companies profit		

		from Austria's administrative burden reduction efforts, such as the 2018 law to repeal roughly half of the federal laws adopted before 2000. Austria has however not addressed the restrictions on key professions identified in 2017 by the Commission. The government programme has neither announced specific measures to address the identified restrictions nor a wider review of service sector restrictions.		
			3. Focus investment-related economic policy on research and development, innovation, digitalisation, and sustainability, taking into account regional disparities. Support productivity growth by stimulating digitalisation of businesses and company growth and by reducing regulatory barriers in the service sector. *Split into Sub-CSRs*	**Some Progress.**
			• Focus investment-related economic policy on research and development, innovation,	**Some Progress.** In order to direct R&I investments to more innovation output, the previous government proposed an 'excellence initiative' to strengthen competitive basic research. Strategic planning has been completed and it is for the new government to decide on its implementation. Progess will be assessed again in 2020, when the new government is in place.
			• digitalisation,	**Some Progress.** Digitalisation has been a political priority in Austria for some time. The caretaker government continued to implement useful initiatives in all areas of digitalisation, but it did not provide the major political impetus expected for 2019 (year of digitalisation). Overall coherence and thus the actual impact of digitalisation policy efforts would benefit in particular from the adoption of specific, measurable targets. Gaps also remain in digital infrastructure.

			• and sustainability, taking into account regional disparities.	**Limited Progress.** Public investments from the climate and energy fund decreased in 2018, compared to the previous year. Comparing the two latest available federal subsidies reports (2018 and 2017), disbursements went down in all three relevant sub-items of subsidy category 43 (environment, energy and climate): climate and energy fund: 2018: €39.8 million; 2017: €42.12 million; thermal insulation: 2018: €37.12 million; 2017: €39.67 million; and environmental subsidies: 2018: €49.89 million; 2017: €56.73 million. However, private investments in the ecological transition have gained in significance due to public and private investors' growing interest in sustainable financing and a wider range of green finance opportunities. A recent country report by the environmental, social and corporate governance (ESG) investment rating agency Sustainalytics considered Austria a leader on ESG, ranking it 4th out of 172 in 2018.
			• Support productivity growth by stimulating digitalisation of businesses and company growth	**Some Progress.** The *KMU Digital* programme has been prolonged and expanded. It now also supports SMEs' digitalisation projects. The Digitalisation Agency has launched many initiatives and projects to facilitate business digitalisation. Three digital innovation hubs have been created to support SME digitalisation. No major new policy initiatives have been taken on business digitalisation.
			• and by reducing regulatory barriers in the service sector.	**Limited Progress.** Services sector firms profited from burden reduction measures, e.g. the Rechtsbereinigungsgesetz and the anti-gold-plating law. However, no progress was made in 2019 as regards restrictions on retail and the specific restrictions of professions identified in 2017. Recent changes of professional regulation for civil engineers and pa-

				tent attorneys did not remove restrictions identified by the Commission. Regulatory density for key professions and trades remains high.

PL	2018 CSRs SGP: CSR 1 MIP: -	Assessment of implementation of 2018 CSRs February 2019	2019 CSRs SGP: CSR 1 MIP: -	Assessment of implementation of 2019 CSRs February 2020
	1. Ensure that the nominal growth rate of net primary government expenditure does not exceed 4,2 % in 2019, corresponding to an annual structural adjustment of 0,6 % of GDP. Take steps to improve the efficiency of public spending, including by improving the budgetary process. *Split into Sub-CSRs*	**Limited Progress** (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact). In June 2019, the Commission evaluated compliance with the SGP in its assessment of the 2019 Convergence Programme for Poland (without using or explicitly referring to the assessment grid used for other CSRs): *"Poland plans a growth rate of government expenditure, net of discretionary revenue measures,* ***which exceeds the applicable expenditure benchmark rate in both 2019 and 2020. Poland plans a deterioration of the structural balance by 1.3% of GDP in 2019 and an improvement of the structural balance of 1.0% of GDP in 2020. Poland plans to reach the MTO in 2021. This path implies a risk of a significant deviation from the required adjustment in both, 2019 and 2020.*** "(p. 20)	1. Ensure that the nominal growth rate of net primary government expenditure does not exceed 4.4% in 2020, corresponding to an annual structural adjustment of 0.6% of GDP. Take further steps to improve the efficiency of public spending, including by improving the budgetary system. *Split into Sub-CSRs*	**Limited Progress** (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact; the Stability and Growth Pact compliance assessment will be added to the table once the Commission has carried out such an assessment, probably in May/June 2020, on the basis of final data for 2019).
	• Ensure that the nominal growth rate of net primary government expenditure does not exceed 4,2 % in 2019, corresponding to an annual structural adjustment of 0,6 % of GDP.	*See grey part above.*	• Ensure that the nominal growth rate of net primary government expenditure does not exceed 4.4% in 2020, corresponding to an annual structural adjustment of 0.6% of GDP.	The compliance assessment with the Stability and Growth Pact will be included in spring when final data for 2019 will be available.
	• Take steps to improve the efficiency of public spending, including by improving the budgetary process.	**Limited Progress** has been made in improving the efficiency of public spending: works to reform the budget process initiated in 2016 were continued in 2018. Currently, they focus on the analysis of the current situation and defining a target solution and its	• Take further steps to improve the efficiency of public spending, including by improving the budgetary system.	**Limited Progress** has been made in improving the efficiency of public spending: works to reform the budget system initiated in 2016 were continued in 2019. The main effort focuses currently on multiannual budget planning, modernisation of the Standard Chart of Accounts and efficiency of spending (spending reviews). The overall reform will be time-

		implementation plan. The main effort focuses currently on multiannual budget planning, modernisation of the chart of accounts and efficiency of spending (spending reviews). The overall reform will be time consuming and its final implementation date has not yet been communicated.		consuming and its final implementation date has not yet been communicated.
	2. Take steps to increase labour market participation, including by improving access to childcare and by fostering labour market relevant skills, especially through adult learning, and remove remaining obstacles to more permanent types of employment. Ensure the sustainability and adequacy of the pension system by taking measures to increase the effective retirement age and by reforming the preferential pension schemes. *Split into Sub-CSRs*	**No Progress.**	2. Ensure the adequacy of future pension benefits and the sustainability of the pension system by taking measures to increase the effective retirement age and by reforming the preferential pension schemes. Take steps to increase labour market participation, including by improving access to childcare and long-term care, and remove remaining obstacles to more permanent types of employment. Foster quality education and skills relevant to the labour market, especially through adult learning. *Split into Sub-CSRs*	**Limited Progress.**
	• Take steps to increase labour market participation, including by improving access to childcare and by fostering labour market relevant skills, especially through adult learning, and remove remaining obstacles to more permanent types of employment.	**Limited Progress** in increasing labour market participation by improved access to childcare. Poland made limited progress in fostering labour market relevant skills. Progress in VET and higher education remain to be seen. No progress in adult learning. No progress in removing remaining obstacles to more permanent types of employment.	• Ensure the adequacy of future pension benefits and the sustainability of the pension system by taking measures to increase the effective CSR 2 retirement age and by reforming the preferential pension schemes.	**No Progress.** Preferential pension schemes were not reformed. Poland did not take any new targeted action aiming at the increase of the effective retirement age.
	• Ensure the sustainability and adequacy of the pension system by	**No Progress** in ensuring the sustainability and adequacy of the pension system, as no progress was observed in measures to in-	• Take steps to increase labour market participation, including by improving access to childcare	**Limited Progress.** Labour market participation increased, although for certain groups it is still below EU average. Access to childcare increased but still constitutes a major challenge for the age group 0-

	taking measures to increase the effective retirement age and by reforming the preferential pension schemes.	crease the effective retirement age and in reforming the preferential pension arrangements. In November 2018, the government announced plans to reverse some of the 2013 reforms as regards the pension system for police officers.	and long-term care, and remove remaining obstacles to more permanent types of employment.	3. Access to long-term care still remains very limited, as this is mainly provided within families. Poland did not undertake major actions removing the remaining obstacles to more permanent types of employment.
			• Foster quality education and skills relevant to the labour market, especially through adult learning.	**Limited Progress.** Overall, Poland has made limited progress regarding the quality of education. The latest school system reorganisation has led to worse working and learning conditions in many schools, which were aggravated due to the double cohort of students who entered secondary schools in 2019. Although the 2018 PISA results showed Polish 15 year-olds performing very well in basic skills, the latest reorganisation of school education has changed the previous system, including the phase-out of lower secondary schools (gymnasia). Shorter common general education period and earlier channelling of pupils is likely to increase the risk of educational inequalities, in particular between urban and rural areas. Since school resources remain limited, all this is very likely to affect the quality of educational outcomes and students' performance in basic skills. The new law of 25/07/2019 on teacher education aims to improve the quality of initial teacher education. No measures have been taken to improve the quality and relevance of continued professional development opportunities. Despite increases by almost 15% in 2019, teachers' salaries are low in comparison with those of other tertiary educated workers in Poland, which makes teaching careers less attractive, contributing to shortages and negative selection. The level of enthusiasm of teaching staff is among the lowest in the EU, as reflected in the 2018 PISA results. The 2018 reform of higher education progresses steadily. The reform has changed the funding mode, management and evaluation of higher education institutions. New quality assurance institutions focusing on scientific outputs have been created. It is uncertain whether the reform will contribute to improving the quality of

				teaching, the pedagogical preparation and the continued professional development of lecturers.
	3. Strengthen the innovative capacity of the economy, including by supporting closer collaboration between business and research institutions. Improve the regulatory environment, in particular by ensuring effective public and social consultations in the legislative process. *Split into Sub-CSRs*	**Limited Progress.**	3. Strengthen the innovative capacity of the economy, including by supporting research institutions and their closer collaboration with business. Focus investment-related economic policy on innovation [Focus investment-related economic policy on] transport, notably on its sustainability [Focus investment-related economic policy on] digital [infrastructure] [Focus investment-related economic policy on] energy infrastructure [Focus investment-related economic policy on] healthcare [Focus investment-related economic policy on] cleaner energy, taking into account regional disparities Improve the regulatory environment, in particular by strengthening the role of consultations of social partners and public consultations in the legislative process. *Split into Sub-CSRs*	**Limited Progress.**
	• Strengthen the innovative capacity of the economy, including by supporting closer collaboration between business and research institutions.	**Limited Progress** in strengthening the innovative capacity of the economy through: increased R&D tax incentives with higher rates of tax deductions; The Ministry of Science and Higher Education continued its industrial doctorate programme, while the NCBR continued with the Gospostrateg, a strategic initiative linking Higher Education institutions, public research organisations (PROs) and government organisations to address key challenges for the economy. Limited progress in supporting closer collaboration between business and research institutions. The establishment of the Lukasiewicz Research Network, which was supposed to	• Strengthen the innovative capacity of the economy, including by supporting research institutions and their closer collaboration with business.	**Some Progress.** Poland has taken measures to support its research institutions through the implementation of the Act on Higher Education, encompassing, among others, the selection of research-intensive universities and their increased funding, the reform of the evaluation criteria for research organisations in a way that encourages international cooperation, a new system for doctoral schools and a re-configuration of the university council which, through the inclusion of external stakeholders, places more emphasis on universities' socio-economic impact. Polish research institutions can be further strengthened through the current reform of the Polish Academy of Science, the consolidation of the Łukasiewicz Research Network and the setting

		integrate the activities of multiple PROs and facilitate their cooperation with business partners, remains at the stage of a draft law in the parliament.		up of the Virtual Research Institute in the area of medical biotechnology - oncology. Science-business links can be enhanced through the research commercialisation potential of the Łukasiewicz Network, as well as through the 'School for Innovators' pilot-project run by the Centre for Citizenship Education with the aim of developing students' entrepreneurial skills and the continuation of the industrial doctorate programme. Poland is supporting the business sector in its transition to the industry 4.0 through the 'Industry for the Future' platform, which is organising a series of workshops for entrepreneurs.
	• Improve the regulatory environment, in particular by ensuring effective public and social consultations in the legislative process.	**Limited Progress** in improving the regulatory environment. "Constitution for Business" was adopted in early 2018. In 2018, a law on the succession of ownership in sole proprietorship enterprises entered into force. In addition, works on a new public procurement law are advancing to address, among others, the issue of low participation of SMEs. **No Progress** observed in ensuring effective public and social consultations in the legislative process. Fast track legislative procedures, with limited scope of consultations, remain to be used on a regular basis. Most recent examples include the law introducing a nation-wide public holiday on 12 November 2018 and the December 2018 law on the energy taxation reduction to cushion electric energy price increases for 2019.	• Focus investment-related economic policy on innovation	**Limited Progress.** The National Strategy of Regional Development 2030 adopted in September 2019 includes investment activities in the field of innovation. This is a significant, albeit insufficient measure as it mostly focuses on strengthening cohesion and reducing inter-regional disparities, including in innovation. Innovation diffusion and reducing regional disparities are important policy goals, but supporting the advanced regions is also equally important, given that they have the greatest potential for creating breakthrough innovations. The regional approach outlined in the National Strategy of Regional Development 2030 needs to be balanced by a national investment strategy in innovation. The diversification and increased attractiveness of R&D tax incentives can strengthen the innovative potential of the Polish economy.
			• [Focus investment-related economic policy on] transport, notably on its sustainability	**Limited Progress.** The information provided so far is lacking in sufficient level of detail. Some key documents have been referred to. However, there is no description of the ongoing or planned activities. In particular, it has not been explained how the investments undertaken and the accompanying regulatory, operational, financial or fiscal actions will increase the role and share of sustainable modes of transport. This concerns in particular:

				- shifting freight traffic from road to rail; - boosting the competitiveness of railways against road transport in passenger traffic; - reconstruction of the public transport services in rural areas; - transfer of passenger traffic in urban areas from individual to public transport and sustainable forms of mobility.
			• [Focus investment-related economic policy on] digital [infrastructure]	**Some Progress.** In 2019, Poland adopted a set of measures to support demand and supply for fast and ultrafast networks, mainly by amending broadband legislation (Ustawa o wspieraniu rozwoju usług i sieci telekomunikacyjnych – the Telecommunications Networks and Services Development Support Act) which includes, among others, setting up a new broadband fund. These measures address the country-specific recommendation for 2019. However, a fair amount of work on their practical implementation in order to fully address the country-specific recommendation is not scheduled until 2020 and 2021.
			• [Focus investment-related economic policy on] energy infrastructure	**Some Progress.** Crucial transboundary gas and electricity infrastructure investments are progressing well with small delays registered in the development of the gas interconnectors with Lithuania and Slovakia. The internal electricity network requires significant investments for it to be sufficiently developed.
			• [Focus investment-related economic policy on] healthcare	**Limited Progress.** The National Strategy of Regional Development 2030 was adopted in September 2019. It includes investment activities related to the health care system. The Partnership Agreement and the Operational Programmes for 2021-2027 Programming Period are being drafted.
			• [Focus investment-related economic policy on] cleaner energy, taking into account regional disparities	**Limited Progress.** Regarding electricity generation, the recent regulatory changes and support schemes have given a new impetus to on-shore wind investments and stronger role of prosumers in the years to come. However, most of the new and planned investments in electricity generation in 2019-2020 are based on coal and gas sources. Consequently, achieving the 2020 renewable target is

				likely to be difficult. Following the upward trend in energy consumption since 2014, Poland was not on track in 2018 to reach the 2020 energy efficiency targets. There is a limited progress in decarbonisation of heating sources in buildings and improvements of buildings energy efficiency to enable their cleaner operation, especially during winter. Additional efforts in this respect will have positive impact on the air quality, as well.
	•		• Improve the regulatory environment, in particular by strengthening the role of consultations of social partners and public consultations in the legislative process.	**No Progress.** The lack of public consultation on the alternative legislative tracks (e.g. draft law proposals submitted by the Members of Parliament) has not been addressed. These alternative legislative paths allow de facto omission of public consultations, affect the overall quality of laws and remain a source of substantial uncertainty for citizens and businesses.

PT	2018 CSRs SGP: CSR 1 MIP: CSR 1, 2, 3	Assessment of implementation of 2018 CSRs February 2019	2019 CSRs SGP: CSR 1 MIP: CSR 1, 2, 3, 4	Assessment of implementation of 2019 CSRs February 2020
	1. Ensure that the nominal growth rate of net primary government expenditure does not exceed 0,7 % in 2019, corresponding to an annual structural adjustment of 0,6 % of GDP. Use windfall gains to accelerate the reduction of the general government debt ratio. Strengthen expenditure control, cost effectiveness and adequate budgeting, in particular in the health sector with a focus on the reduction of arrears in hospitals. Improve the financial sustainability of state-owned enterprises, in particular by increasing their overall net income and by reducing debt. *Split into Sub-CSRs*	**Limited Progress** (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact). In June 2019, the Commission evaluated compliance with the SGP in its assessment of the 2019 Stability Programme for Portugal (without using or explicitly referring to the assessment grid used for other CSRs): *"Portugal plans a growth rate of nominal primary government expenditure, net of discretionary revenue measures and one-offs, which exceeds the applicable expenditure benchmark rate in 2019 leading to a negative deviation of 1.2% of GDP of the underlying fiscal position. Portugal plans an improvement of the structural balance of 0.1% of GDP in 2019, below the recommended annual structural adjustment of 0.6% of GDP towards the MTO.* ***Following an overall assessment, there is a risk of significant deviation from the recommended adjustment path towards the MTO in 2019 based on the Stability Programme. An overall assessment on the basis of the Commission 2019 spring forecast, also points to a risk of a significant deviation in 2019.****"* (p. 27)	1. Achieve the medium-term budgetary objective in 2020, taking into account the allowance linked to unusual events for which a temporary deviation is granted. Use windfall gains to accelerate the reduction of the general government debt ratio. Improve the quality of public finances by prioritising growth-enhancing spending while strengthening overall expenditure control, cost efficiency and adequate budgeting, with a focus in particular on a durable reduction of arrears in hospitals. Improve the financial sustainability of state-owned enterprises, while ensuring more timely, transparent and comprehensive monitoring. *Split into Sub-CSRs*	**Limited Progress** (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact; the Stability and Growth Pact compliance assessment will be added to the table once the Commission has carried out such an assessment, probably in May/June 2020, on the basis of final data for 2019).
	• Ensure that the nominal growth rate of net primary government expenditure does not exceed 0,7 % in 2019, corresponding to an annual structural adjustment of 0,6 % of GDP. Use windfall	*See grey part above.*	• Achieve the medium-term budgetary objective in 2020, taking into account the allowance linked to unusual events for which a temporary deviation is granted. Use windfall gains to accelerate the reduction of the	The compliance assessment with the Stability and Growth Pact will be included in Spring when final data for 2019 will be available.

	gains to accelerate the reduction of the general government debt ratio.		general government debt ratio.	
	• Strengthen expenditure control, cost effectiveness and adequate budgeting, in particular in the health sector with a focus on the reduction of arrears in hospitals.	**Limited Progress** has been achieved in putting persistently high hospital arrears on a steadily declining path. Cost effectiveness continued to be promoted in the health sector in 2018, including through an increased reliance on centralised purchasing, and a greater use of generics and biosimilars. However, despite substantial clearance measures, hospital arrears remain elevated and have not decreased in a steady and durable manner; after achieving an intra-annual minimum level in April 2018, hospital arrears have resumed their gradual increase in the following months. A mission structure was set up in 2018, on the basis of whose recommendations a new programme to address hospital arrears is to move forward in 2019. Although the programme is a promising first step in the right direction, it remains to be seen whether it will lead to a sizeable reduction in the short term.	• Improve the quality of public finances by prioritising growth-enhancing spending while strengthening overall expenditure control, cost efficiency and adequate budgeting, with a focus in particular on a durable reduction of arrears in hospitals.	**Limited Progress.** Public investment is projected to fall short of initial plans of the government in 2019 and, despite the expected increase in 2020, to remain significantly below the averages for the EU and the euro area. Overall, expenditure control, cost efficiency and adequate budgeting continue to be tackled within the framework of the ongoing review of public expenditure, including in the health sector. In particular, a new fully-fledged programme to strengthen the overall sustainability of the health system started being implemented in 2019, and a formal structure to evaluate the managing of public hospitals was created in June 2019. Nevertheless, after having decreased visibly in December 2018, mainly as a result of sizeable ad-hoc clearance measures in that year, hospital arrears are back on a steadily increasing path since July 2019.
	• Improve the financial sustainability of state-owned enterprises, in particular by increasing their overall net income and by reducing debt.	**Limited Progress** has been achieved in improving the financial sustainability of state-owned enterprises (SOEs). The previous goal for SOEs as a whole to achieve a net income close to, but still below, equilibrium in 2018 was postponed until 2019. Overall, planned rationalisation efforts and enhanced monitoring were delayed and lagged to translate into corrective action where needed in 2018. Measures to enhance the monitoring of SOEs and to ensure closer adherence to their initial budgetary are to be implemented in 2019.	• Improve the financial sustainability of state-owned enterprises, while ensuring more timely, transparent and comprehensive monitoring.	**Limited Progress.** Overall, state-owned enterprises continue to struggle to achieve a balanced financial position. At the same time, the debt of public non-financial state-owned enterprises included in general government has continued to decrease, though at a decelerating pace. Some measures to strengthen the sustainability of state-owned enterprises are only being gradually implemented, including the analysis of quarterly data aiming to identify and correct in a timely manner deviations from the approved budgets. The capital structure of a series of state-owned enterprises has been strengthened through sizeable capital injections, and the liquidation of unprofitable or redundant firms has continued. Transparency regarding their financial position has improved somewhat

				through the publication of aggregate quarterly financial data within a shorter timeframe.
	2. Promote an environment conducive to hiring on open-ended contracts, including by reviewing the legal framework in consultation with social partners. Increase the skills level of the adult population, including digital literacy, by strengthening and broadening the coverage of the training component in adult qualification programmes. Improve higher education uptake, namely in science and technology fields. *Split into Sub-CSRs*	**Some Progress.**	2. Adopt measures to address labour market segmentation. Improve the skills level of the population, in particular their digital literacy, including by making adult learning more relevant to the needs of the labour market. Increase the number of higher education graduates, particularly in science and information technology. Improve the effectiveness and adequacy of the social safety net. *Split into Sub-CSRs*	**Some Progress.**
	• Promote an environment conducive to hiring on open-ended contracts, including by reviewing the legal framework in consultation with social partners.	**Some Progress.** New measures are on the pipeline following the new tripartite agreement signed in June 2018. The aim of the agreement is to tackle precarious employment, reduce labour market segmentation and promote more dynamism in collective bargaining. The measures proposed in the agreement, subject to parliamentary approval (expected in 2019) seek to introduce changes in the labour code, the code of contributory schemes, the legal framework for protection of employees, the framework of active labour market policies and other complementary legislation. Other initiatives include the reinforcement of human resources of the Labour Inspection Authority (aiming to reduce the abusive and illegal use of temporary contracts and other atypical forms of work) and a new programme towards the extraordinary regularization of precarious employment contracts in civil service.	• Adopt measures to address labour market segmentation.	**Some Progress.** Following the tripartite agreement signed in 2018, new changes were introduced from October 2019 in the labour code, the code of contributory schemes, the legal framework for protection of employees, the framework of active labour market policies and other complementary legislation. The Labour Inspection Authority was reinforced and a new programme towards the extraordinary regularization of precarious employment contracts in civil service is ongoing. A temporary support to firms to convert temporary contracts into permanent contracts was set up (Converte +).
	• Increase the skills level of the adult population, including digital	**Some Progress.** The qualification level of the adult population is low, which is a challenge in a context of ageing population. The	• Improve the skills level of the population, in particu-	**Some Progress.** The Qualifica programme participation keeps growing and a significant number of persons increased their educational attainment

	literacy, by strengthening and broadening the coverage of the training component in adult qualification programmes.	Qualifica programme is an important tool to tackle the challenge of low-skilled adult population. Insufficient digital skills can hinder inclusion, employability and competitiveness.	lar their digital literacy, including by making adult learning more relevant to the needs of the labour market.	through the programme. More detailed follow-up data is needed to assess the measure more comprehensively. INCoDe.2030 is implementing several initiatives to improve the digital skills deficit of the population but to achieve the expected result Portugal needs to scale up the projects addressing digital literacy and go beyond the pilot phase.
	• Improve higher education uptake, namely in science and technology fields.	**Some Progress.** Measures are being implemented to strengthen the attractiveness and completion rate in higher education. The review of the Higher Education System is ongoing. Graduate numbers in information and communication technologies are low.	• Increase the number of higher education graduates, particularly in science and information technology.	**Some Progress.** The government has put in place several measures to ease the access to higher education and increase enrolment. Number of students enrolled in higher education increased, as well as for graduates. However, those on science and information technology remain low in percentage.
			• Improve the effectiveness and adequacy of the social safety net.	**Limited Progress.** Despite the improvements made in some social benefits in recent years, and the new measures that were announced for the incoming years, no specific measures have yet been taken to address this recommendation. Furthermore, the poverty reduction capacity of social transfers (other than pensions) as well as its adequacy, remain comparatively low in Portugal.
	3. Increase the efficiency of insolvency and recovery proceedings and reduce impediments to the secondary market for non-performing loans. Improve access to finance for businesses. Reduce the administrative burden by shortening procedural deadlines, using more tacit approval and reducing document submission requirements. Remove persistent regulatory restrictions by ensuring a proper implementation of the framework law for highly regulated professions. Increase the efficiency of administrative courts, inter alia by decreasing the length of proceedings.	**Some Progress.**	3. Focus investment-related economic policy on research and innovation, railway transport and port infrastructure, low carbon and energy transition and extending energy interconnections, taking into account regional disparities.	**Limited Progress.**

	Split into Sub-CSRs		*Split into Sub-CSRs*	
	• Increase the efficiency of insolvency and recovery proceedings and reduce impediments to the secondary market for non-performing loans.	**Some Progress.** Portugal has adopted plans to introduce an early warning system for companies in difficulties, which will help identify companies in financial difficulties at an early stage. Some measures aimed at shortening the long proceedings and improving the efficiency of the court system were implemented in 2018.	• Focus investment-related economic policy on research and innovation,	**Limited Progress.** The implementation of the Portugal 2020 strategy (the EU support framework for 2013-2020) is well underway and a reprogramming aimed at assigning additional funding to investments in innovation was conducted in 2019. The INTERFACE scheme aims to strengthen the country's cluster policy focus mainly in the creation of CoLABs and the existing tax and financial R&D incentives. However, Initiatives towards counter the low existing cooperation among different key players mobilizing higher education institutions (universities and polytechnic institutes) and business firms were very limited. Progress on innovation performance was accomplished and the Portugal is now placed first in the "Moderate innovators" group by the European Innovation Scoreboard 2019 but business investments and co-publications public-private rates together with patenting remain well below EU average. The R&D intensity marginally increased in 2018 of 0.04 points to 1.37% of GDP as compared to 2017 confirming recent trends but values remains below EU average and distant of the country target of 3% for 2030. Thus, further investments and policy efforts are necessary in particular to foster linkages between R&D actors and businesses and support a thriving innovation driven economy.
	• Improve access to finance for businesses.	**Some Progress** has been made to improve access to finance. Several programmes, such as Capitalizar or Internacionalizar, have included in 2018 credit lines to ease access to finance (notably the credit lines of Capitalizar have been increased compared to 2017). Other programmes, including those initiated in previous years, have targeted specific sectors. However, alternative sources of finance showed limited improvement (also due to limited awareness of available opportunities) and, although improvements, equity capital remains low, and venture capital investments (expressed as share	• railway transport and port infrastructure,	**Limited Progress.** There has been limited progress with the main railway CEF co-funded projects of the Programme Ferrovia 2020 and the pace of execution has been slow. The tendering procedures for the 2020 investments are still to be launched. The investment situation has however improved when compared to the 2007-2013 period, when most grant agreements had to be cancelled. There is also limited progress in port investments. The public tender for the new investment project in the container terminal in Sines (Terminal Vasco da Gama) has been launched, but the concession has not yet been attributed and investments have not

		of GDP) are among the lowest in OECD countries and still below pre-crisis levels.		yet started. The public tendering for the new container terminal in Barreiro is yet to be launched.
	• Reduce the administrative burden by shortening procedural deadlines, using more tacit approval and reducing document submission requirements.	**Some Progress** has been made in reducing administrative burden. The SIMPLEX programme introduced further measures introducing some horizontal simplification and the implementation of the once-only principle has reduced some document submission obligations, however few sector-specific simplification has been achieved. The production of evidence by the applicant is still the norm rather than the exception; responsible declarations is a form of control seldom taken up by the Portuguese administration. Burdensome authorisation procedures remain the preferred manner of entry control for service providers, with long procedural deadlines for decision and absence of tacit approval persisting in too many instances.	• low carbon and energy transition and extending energy interconnections, taking into account regional disparities.	**Some Progress.** Measures are being taken to increase the deployment of renewable energy. The solar PX auction held in July was successful in attracting investment commitments for deploying new solar capacity (1.2 GW) at competitive prices. The adoption in October 2019 of the new regulatory framework addressing self- consumption and renewables communities should also provide incentives for decentralised energy investments. Still, challenges remain to streamline administrative procedures with respect to new renewables projects. Progress has been limited on the energy efficiency front, with primary energy consumption rising between 2014 and 2017. However, the government has announced additional measures such as raising awareness and revising the regulation in industry, buildings and transport, which would have a positive impact on energy efficiency investments. Portugal has been actively involved in regional fora to improve energy connectivity of the Iberian Peninsula. Further progress is needed to advance the new electrical interconnection between Portugal (Minho) and Spain (Galicia). Portugal is on track to achieve its effort sharing emission target where further emissions reductions in sectors such as transport, buildings, agriculture and waste can be a cost-efficient way for the EU to reach its overall target.
	• Remove persistent regulatory restrictions by ensuring a proper implementation of the framework law for highly regulated professions.	**No Progress** has been made in removing persistent regulatory restrictions for highly regulated professions, however some preliminary steps in the right direction have been taken. In July 2018 a study conducted jointly by the OECD and the Portuguese Competition Authority was published. It identified restrictions to competition in the legal framework of highly regulated professions and presented a number of reform recommendations. It is expected that the Portuguese Government will follow up on the		

		reform recommendations, however the extent of the action as well as the timeframe are yet to be defined.		
	• Increase the efficiency of administrative courts, inter alia by decreasing the length of proceedings.	**Some Progress.** According to data provided by the Portuguese authorities the overall evolution as regards clearance rates in Administrative and Tax Courts between 2015 and 2017 showed a sustained improvement (79.9 % in 2015 and 105 % 2017 [1]). Disposition time remains high and its reduction for the same period is slow (2015: 992 days, 2016: 911 days, 2017: 988). Portugal introduced a set of measures to reduce case-backlogs and additional measures to promote further e-justice and the specialization of courts. As regards insolvency proceedings, new measures have been taken. All these measures are expected to have a positive impact on the efficiency of the PT Justice system in the near future.		
			4. Allow for a swifter recovery of the collateral tied to non-performing loans by increasing the efficiency of insolvency and recovery proceedings. Reduce the administrative and regulatory burden on businesses, mainly by reducing sector-specific barriers to licensing. Develop a roadmap to reduce restrictions in highly regulated professions. Increase the efficiency of administrative and tax courts, in particular by decreasing the length of proceedings. *Split into Sub-CSRs*	**Limited Progress.**
			• Allow for a swifter recovery of the collateral tied to Some Progress. The efficiency of insolvency and non-performing loans by increasing the efficiency	**Some Progress.** The efficiency of insolvency and recovery proceedings has been increasing at a slow pace, notwithstanding some reforms and the introduction of technology in some instances. Overall time lags are still very high in European comparison.

			of insolvency and recovery proceedings.	
			• Reduce the administrative and regulatory burden on businesses, mainly by reducing sector-specific barriers to licensing.	**Limited Progress.** Over the last years several measures introduced mainly under the SIMPLEX+ programme favoured improvements in the business environment overall, especially when it comes to the introduction of the once- only principle and e-government policies. New initiatives were launched in 2019 through SIMPLEX+ and Capitalizar programmes addressing the business environment, due for implementation in the coming months, such as a funding portal for firms and the introduction of a modernised early warning mechanism. However limited progress was achieved in reducing sector- specific burden for licensing. Reforms seldom replace ex ante by ex post controls, or even rely on responsible declarations to replace the numerous authorisation schemes in place. Long procedural deadlines for decision and even absence of tacit approval persist. In 2019, progress in this respect was recorded only for pressure equipment. The roll out of the Point of Single Contact for service activities and regulated professions is progressing slowly. Portugal is making efforts, including with the cooperation with the Structural Reform Support Service, to improve regulatory impact assessment, in particular with the ambition to introduce cost- benefit analysis and to put in place an effective consultation system.
			• Develop a roadmap to reduce restrictions in highly regulated professions.	**No Progress.** No progress has been made in reducing regulatory restrictions on highly regulated professions, which remain sheltered from competition. A roadmap to reduce restrictions in highly regulated professions has not been developed. This is despite repeated recommendations from the European Commission and the recommendations from the OECD and Portuguese Competition Authority (2018).
			• Increase the efficiency of administrative and tax	**Some Progress.** The clearance rate in administrative and tax courts has increased and there has been a reduction in case backlogs and disposition

			courts, in particular by decreasing the length of proceedings.	time. However, proceedings before tax and administrative courts remain among the lengthiest in the EU. Measures aiming at further improvements continue to be implemented.

RO	2018 CSRs SGP: CSR 1 MIP: -	Assessment of implementation of 2018 CSRs February 2019	2019 CSRs SGP: CSR 1 MIP: CSR 1, 2, 3, 5	Assessment of implementation of 2019 CSRs February 2020
	1. Ensure compliance with the Council recommendation of 22 June 2018 with a view to correcting the significant deviation from the adjustment path toward the medium-term budgetary objective. Ensure the full application of the fiscal framework. Strengthen tax compliance and collection. *Split into Sub-CSRs*	**Limited Progress** (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact). In June 2019, the Commission evaluated compliance with the SGP in its assessment of the 2019 Convergence Programme for Romania (without using or explicitly referring to the assessment grid used for other CSRs): *"In 2018, Romania continued to deviate further away from the MTO. The growth of net primary government expenditure was well above the expenditure benchmark, pointing to a significant deviation (deviation of 2.4% of GDP). The structural balance remained broadly stable at around -3.0% of GDP, also pointing to a significant deviation from the recommended structural adjustment (deviation of 0.8% of GDP).* ***Following an overall assessment, this points to a significant deviation from the recommended adjustment path towards the MTO.*** *This assessment is in line with the earlier conclusion of 4 December 2018, in which the Council found that* ***Romania had not taken effective action in response to the Council recommendation of 22 June 2018.*** *Both in 2019 and in 2020, there is a risk of deviation from the recommended structural adjustment, both based on the programme and based on the Commission 2019 spring forecast."* (p. 20).	1. Ensure compliance with the Council recommendation of 14 June 2019 with a view to correcting the significant deviation from the adjustment path toward the medium-term budgetary objective. Ensure the full application of the fiscal framework. Strengthen tax compliance and collection. *Split into Sub-CSRs*	**Limited Progress** (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact; the Stability and Growth Pact compliance assessment will be added to the table once the Commission has carried out such an assessment, probably in May/June 2020, on the basis of final data for 2019).
	• Ensure compliance with the Council recommendation of 22 June 2018 with a view to correcting the significant deviation	*See grey part above.*	• Ensure compliance with the Council recommendation of 14 June 2019 with a view to correcting the significant deviation from the adjustment path	Compliance with the Stability and Growth Pact is outside the scope of assessment of the Country Specific Recommendations in the Country Report.

	from the adjustment path toward the medium-term budgetary objective.		toward the medium-term budgetary objective.	
	• Ensure the full application of the fiscal framework.	**No Progress** on ensuring the application of the fiscal framework. The 2018 budget did not comply with the deficit rule, which requires compliance with the adjustment path towards the medium-term structural objective. The 2018 budget amendment from September broke, among others, rules prohibiting increases in: (i) the nominal headline and primary deficit ceilings during the fiscal year; and (ii) personnel expenditure and total government expenditure excluding EU funds during the fiscal year. The second 2018 budget amendment, published in November, also broke several national fiscal rules. Moreover, as in previous years, the authorities did not send an update of the medium-term fiscal strategy to Parliament by the statutory August deadline.	• Ensure the full application of the fiscal framework.	**No Progress.** As in previous years, the national fiscal framework has not been respected. The fiscal rules laid down in the Fiscal Responsibility Law "remained inoperable" with respect to the 2019 and 2020 budgetary laws, as the authorities continued its practice of derogating from them (Fiscal Council 2019a and 2019d). In particular, the 2019 budget target of a headline deficit of 2.76% of GDP was inconsistent with the structural deficit rule. Budget amendments adopted in August and November 2019 also derogated from a number of rules, in particular, in the latter case, by increasing the 2019 deficit target to 4.4% of GDP (Fiscal Council, 2019c). Moreover, as in previous years, the authorities did not send an update of the medium-term fiscal strategy to Parliament by the statutory August deadline, thereby undermining its guiding role. The 2020 budget and the accompanying fiscal strategy also derogated from several fiscal rules, in particular by targeting a headline deficit of 3.6% of GDP (Fiscal Council, 2019d and 2019e).
	• Strengthen tax compliance and collection.	**Limited Progress.** The Romanian tax administration (ANAF) has recently updated its guidelines on the registration of certified cash registers and the issuing of single identification numbers for cash registers. They have been more active in using risk assessment for the management and auditing of taxpayers, mostly for value-added tax (VAT) and corporate income tax purposes. However, the relative weight of the unobserved economy is about 22.5 % while the VAT gap (i.e. the difference between the VAT liability theoretically due and VAT actually collected) remained the highest in the EU in 2016 (at about 36 %). The introduction of the cash registers with an electronic memory connected to the servers of ANAF is slowly being	• Strengthen tax compliance and collection.	**Limited Progress.** Compliance ratios for filing tax declarations have remained relatively stable. The VAT gap is estimated to have dropped marginally from 35.9% in 2016 to 35.5% in 2017 and, according to preliminary estimates, to have fallen to 32% in 2018. However, it still is among the highest in the EU. The National Agency for Fiscal Administration did not meet its revenue collection targets for 2019, partially because of an over-optimistic prognosis of these targets.

		implemented, also due to suppliers' shortages.		
	2. Complete the minimum inclusion income reform. Improve the functioning of social dialogue. Ensure minimum wage setting based on objective criteria. Improve upskilling and the provision of quality mainstream education, in particular for Roma and children in rural areas. Improve access to healthcare, including through the shift to outpatient care. *Split into Sub-CSRs*	**Limited Progress.**	3. Improve the quality and inclusiveness of education, in particular for Roma and other disadvantaged groups. Improve skills, including digital, notably by increasing the labour market relevance of vocational education and training and higher education. Increase the coverage and quality of social services and complete the minimum inclusion income reform. Improve the functioning of social dialogue. Ensure minimum wage setting based on objective criteria, consistent with job creation and competitiveness. Improve access to and cost-efficiency of healthcare, including through the shift to outpatient care. *Split into Sub-CSRs*	**Limited Progress.**
	• Complete the minimum inclusion income reform.	**No Progress.** The Law on minimum inclusion income is expected to enter into force in April 2019. However, no visible progress has so far been observed.	• Improve the quality and inclusiveness of education, in particular for Roma and other disadvantaged groups.	**Limited Progress.** Challenges of quality and inclusiveness of education persist, in particular, in particular in rural areas and for Roma and other disadvantaged groups, with consistent low educational outcomes and high rates of early school leaving. Some reforms are underway but their implementation is delayed and results are yet to be seen.
	• Improve the functioning of social dialogue.	**Limited Progress.** The social dialogue law is currently in being debated in Parliament after a long period of consultation with relevant stakeholders. Another competing proposal, drafted with the help of some social partners, has also been put forward. Both legislative initiatives are being debated together. Currently, most social dialogue takes place formally, within the Economic and Social Council and the Social Dialogue Committees. Despite the established framework of dialogue and consultations, the stability	• Improve skills, including digital, notably by increasing the labour market relevance of vocational education and training and higher education.	**No Progress.** Urgent measures are needed to address problems with the acquisition of basic skills at school and improve the digital literacy of the population. The percentage of young people who assess their digital skills as low is the highest in the EU (41% vs 14% EU average). Students enrolled in VET programs have limited exposure to work-based learning. The low labour market relevance of vocational education and training and higher education has a negative impact on graduates' job prospects (69% of VET graduates are employed vs 79.5% EU average). The ESF is supporting efforts to increase

		and the role of these institutions weakened in the most recent period.		the relevance of VET, but a comprehensive reform is lacking.
	• Ensure minimum wage setting based on objective criteria.	**No Progress.** Minimum wage levels continue to be set in an ad-hoc manner, and are not based on a comprehensive and predictable mechanism.	• Increase the coverage and quality of social services	**Limited Progress.** The social reference index, used as a basis for most social benefits, has not been updated since its introduction in 2008. Progress in the provision of social services remains insufficient, in particular in rural areas. Misalignment between decentralization of social services and financial means increased further in 2019, with a negative impact on the effectiveness and quality of service delivery at local level and for poor communities. The EU co-funded pilot project to introduce integrated teams at community level is under implementation with the first visible results expected in 2020.
	• Improve upskilling and the provision of quality mainstream education, in particular for Roma and children in rural areas.	**Limited Progress** in improving the provision of quality inclusive mainstream education, in particular for children in rural areas and Roma. The measures financed by the European Social Fund are in early stages of implementation. Work on developing the early warning mechanism to prevent school dropout continues. The methodology to monitor and prevent school segregation has not been adopted yet. Overall, early school leaving remains very high. Rural-urban disparities and Roma inclusion in education remain problematic. While the authorities are planning some measures, active labour market policies continue to provide limited focus on upskilling. A global assessment of skills needs for various economic sectors still needs to be developed and implemented.	• Complete the minimum inclusion income reform.	**No Progress.** The implementation of the minimum inclusion income has been again postponed to 2021.
	• Improve access to healthcare, including through the shift to outpatient care.	**Limited Progress.** Since 2018 there have been serious delays in key areas such as integrated community care centres, funding of regional hospitals with related care referral plans, etc. In other relevant areas (such as the uptake of one-day planned surgeries) the effectiveness of previously taken measures remains to be demonstrated.	• Improve the functioning of social dialogue.	**Limited Progress.** The involvement of social partners in policymaking remains limited. Despite the established framework, this remains rather a procedural requirement than a genuine dialogue. The authorities report increased rates of collective bargaining coverage (45% in 2019). This could result from collective bargaining becoming temporarily mandatory for all employers, following the shift of social security contributions in 2017. However, the situation of collective bargaining at sector level has

				not changed. Discussions on changes to the legislative framework and the revision of sectors have stalled.
			• Ensure minimum wage setting based on objective criteria, consistent with job creation and competitiveness.	**Limited Progress.** According to the authorities, the increase in the minimum wage as of 1 January 2020 was based on a formula taking several economic indicators into account, such as the inflation rate and labour productivity. The decision was preceded by discussions with the trade unions and employers' organisations. However, an objective mechanism is not yet in place.
			• Improve access to and cost-efficiency of healthcare, including through the shift to outpatient care.	**Limited Progress.** There has been limited progress in improving access to healthcare. Unmet needs for medical examination reported by patients are high and increasing again. A sustained policy of incentivising healthcare delivered outside of hospital inpatient settings by the National Insurance House may trigger a natural shift towards ambulatory care. The overall policy measures of the Romanian health system to facilitate this shift did not improve.
	3. Increase the predictability of decision-making by enforcing the systematic and effective use of regulatory impact assessment and stakeholder consultation and involvement in the design and implementation of reforms. Improve the preparation and prioritization of large infrastructure projects and accelerate their implementation, particularly in the transport, waste and waste water sectors. Improve the transparency and efficiency of public procurement. Strengthen the corporate governance of state-owned enterprises. *Split into Sub-CSRs*	**No Progress.**	5. Ensure that legislative initiatives do not undermine legal certainty by improving the quality and predictability of decision-making, including by appropriate stakeholder consultations, effective impact assessments and streamlined administrative procedures. Strengthen the corporate governance of state-owned enterprises. *Split into Sub-CSRs*	**No Progress.**

	• Increase the predictability of decision-making by enforcing the systematic and effective use of regulatory impact assessment and stakeholder consultation and involvement in the design and implementation of reforms.	**No Progress.** There is still persistent legislative instability and lack of decision-making predictability, which risk eroding investors' confidence. Regulatory impact assessments continue to be formalistic, although their quality and actual use vary across sectors. A robust policy monitoring mechanism with a transparent reporting system is lacking, and ex-post evaluations are carried out on an ad-hoc basis. The legal and institutional framework for a quality control function of impact assessments at government level has not been formally established. Stakeholders' involvement in policy-making remains limited. The quality of public consultation continues to be hindered by operational factors, such as short periods of consultation, late announcement of important legislative initiatives, and limited follow-up and feedback to stakeholders during and after the consultation process.	• Ensure that legislative initiatives do not undermine legal certainty by improving the quality and predictability of decision-making, including by appropriate stakeholder consultations, effective impact assessments and streamlined administrative procedures.	**No Progress.** Predictability of decision making remains a concern, with no tangible progress. Less than 30% of the annual government plan is respected and the number of emergency ordinances is still very high, with some having major socio-economic impact (Ex. GEO 114/2018). There is no mandatory ex-ante impact assessment for emergency ordinances and no requirement for public consultations. The quality and effective use of ex-ante regulatory impact assessments continue to vary significantly, with no legal institutional framework for a quality control function at governmental level. Moreover, although different formal structures exist, the quality of public consultations is deteriorating. Public consultations are generally perceived as formal and of low quality, and the involvement of social partners and other relevant stakeholders is limited. Social partners and other relevant stakeholders report not being adequately consulted. However, several EU funded projects are ongoing to reinforce the methodology and tools for regulatory impact assessments and to increase know-how across the central public administration. In March 2019, a new version of the online platform for public consultations was launched to facilitate interactions between authorities and relevant stakeholders. Important legislation amending government emergency ordinance 114/2018 was adopted in the first half of the year without impact assessment and proper stakeholder consultation.
	• Strengthen the corporate governance of state-owned enterprises.	**No Progress.** Corporate governance legislation applicable to state-owned enterprises is robust but only sparsely applied. The exemption of some 100 companies from the legislation, adopted end-2017, has been barred by the Constitutional Court on procedural grounds, but was again approved by the Senate in June 2018 and awaits final approval in the lower house.	• Strengthen the corporate governance of state-owned enterprises.	**No Progress.** The corporate governance law is still only loosely applied. The appointment of interim boards has become a standard practice. The financial penalties applied for administrative offences are symbolic and do not have the power to change the overall behaviour. The operational and financial results of most state-owned enterprises deteriorated in 2019.
	• Improve the preparation and prioritization of large infrastructure	**Limited Progress.** Large infrastructure projects are being prepared and sent to the Eu-		

	projects and accelerate their implementation, particularly in the transport, waste and waste water sectors.	ropean Commission for approval, due in particular to the increased involvement and cooperation with the European Investment Bank (through the Joint Assistance to Support Projects in European Regions programme and the Project Advisory Support instrument). Implementation, however, continues to lag behind.		
	• Improve the transparency and efficiency of public procurement.	**Limited Progress** in implementing the national public procurement strategy. The transition to a new e-procurement system and the putting in place of legislation on a Central Purchasing Body to operate at national level are positive examples. However, some reforms started under the Action Plan drafted in the context of the ex-ante conditionality that Romanian had to fulfil on public procurement and which were relevant for the implementation of EU funds, have been stopped and, with the recent adoption of the government emergency ordinance no 114/2018, even reversed. Furthermore, important efforts are needed to increase the capacity of contracting authorities and to enhance transparency, monitoring and supervision of the public procurement system, as well as legislative stability and predictability. The streamlining of ex-ante control of public procurement should be based on the measured performance and reliability of contracting authorities.		
			2. Safeguard financial stability and the robustness of the banking sector. Ensure the sustainability of the public pension system and the long-term viability of the second pillar pension funds. *Split into Sub-CSRs*	**Some Progress.**
			• Safeguard financial stability and the robustness of the banking sector.	**Substantial Progress.** The bank tax on total assets introduced by Government Emergency Ordinance

				114/2018 was removed starting from the beginning of 2020.
			• Ensure the sustainability of the public pension system and	**No Progress.** Fiscal sustainability indicators point to high risks. Due to a high structural primary deficit (which is driven by the significant pension increases contained in the new pension law of summer 2019), and assuming no-policy change, the debt-to-GDP ratio is set on a fast increasing and upward path. It is projected to rise from 35% in 2018 to beyond the 90% of GDP by 2030. The medium-term sustainability gap indicator ('S1') nearly quadrupled with respect to last year and is now among the highest in the EU. This means that Romania would require a significant fiscal adjustment to achieve the debt target of 60% of GDP in 2034. The long-term fiscal sustainability indicator ('S2'), points to a required fiscal adjustment of 8.8 pps of GDP in order to ensure that the public debt ratio stabilises over the long term. This value, one of the highest among EU countries, is driven by the initial budgetary position (a contribution of 5.1 pps of GDP) and ageing costs, in particular pensions and health care (a contribution of 3.7 pps of GDP). Both items are driven by the new pension law.
			• the long-term viability of the second pillar pension funds.	**Some Progress.** Several provisions of GEO 114/2018 that threatened the long term viability of the second pension pillar were repealed or amended at the beginning of 2020. Thus, the possibility of opting out of the second pension pillar after a contributory period of 5 years was eliminated and the increased minimum capital requirements were eliminated. Also, the significant reduction of the administrative fees that second pension pillar fund management companies can charge was reversed. These administration fees were even further modified, but without prior impact assessment consulted with all relevant stakeholders.
			4. Focus investment-related economic policy on transport, notably on its sustainability, low carbon energy and energy efficiency, environmental infrastructure as well as	**Limited Progress.**

			innovation, taking into account regional disparities. Improve preparation and prioritisation of large projects and accelerate their implementation. Improve the efficiency of public procurement and ensure full and sustainable implementation of the national public procurement strategy. *Split into Sub-CSRs*	
			• Focus investment-related economic policy on transport, notably on its sustainability, low carbon energy and energy efficiency, environmental infrastructure as well as innovation, taking into account regional disparities.	**Limited Progress.** Limited progress was made in drafting feasibility studies for upgrading railway infrastructure, and work is lagging considerably behind. This is mostly due to a lack of administrative capacity and inefficient procurement procedures. European grants have been allocated to develop a multi-standard open-access fast charging network along the TEN-T core network corridors. However, no projects are planned so far to ensure alternative clean fuel supply facilities in ports. There has been some progress in environmental infrastructure investment, especially in waste water projects, and the implementation of projects accelerated towards the end of 2019. In other areas, progress is more limited, particularly for waste projects. With regard to nature/biodiversity and air projects there has been no real progress, even though funds are available. No progress was made on research and innovation. Reported official measures are insufficient to address both the under-financing of R&I and the structural problems in the public science base and R&D private sector. Without a significant increase in the public R&D budget plus related regulatory measures to increase R&D quality and innovation, little progress is expected.
			• Improve preparation and prioritisation of large projects and accelerate their implementation.	**Limited Progress.** In the twin context of the current EU cohesion policy funds implementation and the preparation of the next programming period (2021-2027), the Romanian authorities have started to speed up the implementation of large projects and have submitted to the Commission a number

				of projects in fields such as transport, health and wastewater management. However, the Fiscal Strategy 2020-2022 adopted in December 2019 contains low levels of planned capital expenditure and of planned spending on projects co-financed by the EU.
			• Improve the efficiency of public procurement and ensure full and sustainable implementation of the national public procurement strategy.	**Some progress.** While some progress in the implementation of certain commitments under the national public procurement strategy has been made, others were stopped or even reversed. The new eprocurement system, the adoption of an ambitious national professionalisation strategy as well as the newly functional centralised public procurement body (ONAC) are positive examples. However, the changes to the ex-ante control mechanism create significant risks in terms of the efficiency and implementation of EU funds. Moreover, the persistent unpredictability of the legislative changes in the public procurement field, made without prior public consultations and relevant impact assessments, reinforces the lack of confidence in the public procurement system and ultimately affects its efficiency.

SI	2018 CSRs SGP: CSR 1 MIP: -	Assessment of implementation of 2018 CSRs February 2019	2019 CSRs SGP: CSR 1 MIP: -	Assessment of implementation of 2019 CSRs February 2020
	1. Ensure that the nominal growth rate of net primary government expenditure does not exceed 3,1 % in 2019, corresponding to an annual structural adjustment of 0,65 % of GDP. Adopt and implement the healthcare and health insurance act and the planned reform of long-term care. Ensure the long-term sustainability and adequacy of the pension system, including by increasing the statutory retirement age and by restricting early retirement. Increase the employability of low-skilled and older workers through lifelong learning and activation measures. *Split into Sub-CSRs*	**Limited Progress** (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact). In June 2019, the Commission evaluated compliance with the SGP in its [assessment of the 2019 Stability Programme for Slovenia]() (without using or explicitly referring to the assessment grid used for other CSRs): *"According to the Stability Programme, Slovenia plans a growth rate of government expenditure, net of discretionary revenue measures,* ***which is above the applicable expenditure benchmark rate in 2019. Slovenia also plans an improvement of the structural balance by 0.2% of GDP in 2019, below the recommended adjustment.*** *Slovenia plans to be close to its MTO in 2020, while the expenditure benchmark would point to a risk of a significant deviation from the requirement over 2019 and 2020 taken together. If the structural balance is no longer projected to be close to the MTO in future assessments, an overall assessment would need to take into account a possible deviation from the requirement.* ***This path implies that based on the Stability Programme, there is a risk of significant deviation in 2019*** *and a risk of some deviation in 2020 from the required adjustment path towards the MTO. Based on the Commission 2019 spring forecast, these conclusions are confirmed."* (p. 22)	1. Achieve the medium-term budgetary objective in 2020. Adopt and implement reforms in healthcare and long-term care that ensure quality, accessibility and long-term fiscal sustainability. Ensure the long-term sustainability and adequacy of the pension system, including by adjusting the statutory retirement age restricting early retirement and other forms of early exit from the labour market. Increase the employability of low-skilled and older workers by improving labour market relevance of education and training, lifelong learning and activation measures, including through better digital literacy. *Split into Sub-CSRs*	**Limited Progress** (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact; the Stability and Growth Pact compliance assessment will be added to the table once the Commission has carried out such an assessment, probably in May/June 2020, on the basis of final data for 2019).
	• Ensure that the nominal growth rate of net primary government expenditure does not exceed 3,1 % in 2019,	*See grey part above.*	• Achieve the medium-term budgetary objective in 2020.	The compliance assessment with the Stability and Growth Pact will be included in Spring when final data for 2019 will be available.

	corresponding to an annual structural adjustment of 0,65 % of GDP.			
	• Adopt and implement the healthcare and health insurance act	**No Progress.** Slovenia has not proposed any specific measure(s) to address the CSR. However, the authorities announced that a new draft Healthcare Act would be adopted by the end of 2019.	• Adopt and implement reforms in healthcare	**Limited Progress.** The Member State has not yet presented the legislative act (Health Care and Health Insurance Act) in the governing or legislator body. The proposal is not been included in the 2019-2020 National Reform Programme. A new Health Care and Health Insurance Act is in the Work Programme of the Ministry of Health and is currently being worked on by the services. It is expected to be discussed by the Government of the Republic of Slovenia in mid-2020 (its adoption by the National Assembly is expected in the autumn of 2020). Other measures have been announced but these only address the CSR to a limited extent. The European Commission under the Structural Reform Support Programme helps Slovenia to implement key health sector reforms in the areas of health system governance, hospital financing, quality of care, and long-term care.
	• and the planned reform of long-term care.	**No Progress.** The government intends to address LTC legislation only after adoption of healthcare act.	• and long-term care that ensure quality, accessibility and long-term fiscal sustainability.	**No Progress.** The reform is not included in the 2019-2020 National Reform Programme. The work programme of the Ministry of Health envisages the proposal of the act of long-term care to be submitted for public discussion in January 2020 and adoption potentially still in 2020.
	• Ensure the long-term sustainability and adequacy of the pension system, including by increasing the statutory retirement age and by restricting early retirement.	**No Progress.** No concrete measures have been taken to ensure the long-term sustainability and adequacy of the pension system, whether by increasing the statutory retirement age or by restricting early retirement.	• Ensure the long-term sustainability and adequacy of the pension system, including by adjusting the statutory retirement age restricting early retirement and other forms of early exit from the labour market.	**Limited Progress.** The pension reform adopted in November 2019 improves the adequacy of pensions but puts a strain on the sustainability of the pension system in the long term. At the same time, measures taken in 2012 to limit early retirement seem to be having some effect, but the early exit from the labour market remains a challenge.
	• Increase the employability of low-skilled and older workers	**Limited Progress.** The Slovenian government continued its efforts to increase the employability of low-skilled and older workers through lifelong learning and schemes	• Increase the employability of low-skilled and older workers by improving labour market relevance of education and	**Some Progress.** In 2019, Slovenia adopted amendments to labour market regulation act aimed at faster activation and higher social security of unemployed people. Changes in unemployment benefits will also likely influence unemployment levels

	through lifelong learning and activation measures.	to help the inactive find work. However, participation in adult learning is still low, especially among the group of older workers and the low-skilled.	training, lifelong learning and activation measures, including through better digital literacy.	of older people (prior to retirement). The authorities also implemented additional labour market measures that provide life-long learning and training measures relevant for labour market needs. There are also soft measures (through competence centres for human resources development; Support to Enterprises for active ageing of Labour Force) to improve employment of older people and long-term unemployed. Finally, ALMPs also appear to better target older people (31% until August 2019) and long-term unemployed (28%), though this still leaves room for improvement. Concerning the aspect of "better digital literacy", Slovenia has made only limited progress: Some projects for digital transformation of economy have been put in place and are at cruising speed through the Strategic Research and Innovation Partnerships. Further, there are several pilot actions in schools for improving digital literacy. However, no changes have been made into school curricula to enhance the teaching of digital skills in schools. Finally, no review or update of digital programme in existing curricula has taken place.
	2. Develop alternative sources of financing for fast-growing companies. Lower the barriers for market entry through the revision of product market regulation and limiting administrative burden. Enhance competition, professionalisation and independent oversight in public procurement. Carry out the privatisations in line with to the existing plans. *Split into Sub-CSRs*	**Some Progress.**	2. Support the development of equity markets. Improve the business environment by reducing regulatory restrictions and administrative burden. Improve competition, professionalisation and independent oversight in public procurement. Carry out privatisations in line with the existing plans. *Split into Sub-CSRs*	**Some Progress.**
	• Develop alternative sources of financing for fast-growing companies.	**<u>Some Progress.</u>** In 2018 Slovenia took important steps in the implementation of, notably, the Slovene Equity Growth Investment Programme and the Central European	• Support the development of equity markets.	**<u>Limited Progress.</u>** Slovenia continued implementing support measures launched earlier on in order to strengthen its equity markets. Major new initiatives were not launched in 2019.

		Fund-of-Funds. These steps related to support amounts, intermediaries and beneficiaries. The Ljubljana Stock Exchange has improved its support for SME listings. Slovenia also adopted an action plan on block chain technology, which is also used for crypto-currencies and initial coin offerings.		
	• Lower the barriers for market entry through the revision of product market regulation and limiting administrative burden.	**Some Progress.** Slovenia adopted the Investment Promotion Act in early 2018. This act facilitates investment inter alia by harmonising support conditions for domestic and foreign investors and by reducing barriers for strategic investments. Impact assessments are performed for draft laws under regular parliamentary procedure but not for the many laws in urgent procedure. Stakeholders benefit since 2018 from a new online tool for their input to this SME test. Slovenia's justice system also continued reducing the backlog of pending cases. Slovenia also progressed with one-stop online portals for key administrative procedures and with the so-called "Single Document". A good part of the suggested administrative burden reduction measures, as well as planned measures to reduce regulatory restrictions on professions is still pending.	• Improve the business environment by reducing regulatory restrictions and administrative burden.	**Some Progress.** Slovenia continued to implement its burden reduction efforts, such as under the Single Document, the SME test and e-government. Slovenia has removed certain restrictions in the access to the professions of lawyer and real estate agent. Nevertheless, the legal professions (lawyers and notaries) remain highly regulated.
	• Enhance competition, professionalisation and independent oversight in public procurement.	**Limited Progress.** In May 2018, Slovenia presented an action plan detailing planned improvements, notably on further professionalisation of public procurement, for 2018-2020. Slovenia also made progress in rolling out e-procurement, which is widely used since April 2018. Rather little progress was made to increase competition in procurement, which remains a key problem. Slovenia also did not strengthen the independence of the National Review Commission. Slovenia did not achieve a higher degree of tender aggregation for health sector procurement.	• Improve competition, professionalisation and independent oversight in public procurement.	**Some Progress.** Slovenia adopted an important reform of the National Reform Commission, thereby strengthening independent oversight in public procurement. Setting up the newly foreseen structures is still to be done. Slovenia also continued implementing its Action Plan to increase professionalisation. Competition benefits from e-procurement as well as from good efforts to facilitate SME participation in tenders, but remains a problem.

	• Carry out the privatisations in line with to the existing plans.	**Some Progress.** Slovenia made some progress in the privatisation of SOEs as only one privatisation took place in 2018. With the partial privatisation of Slovenia's biggest bank in 2018 and the launch of the sale of its third biggest bank, Slovenia took important steps in implementing its privatisation list.	• Carry out privatisations in line with the existing plans.	**Some Progress.** Another 10% of the shares of NLB, have been sold, and the sale of Abanka has been finalised in 2019, in line with obligations under State aid rules; however, other privatisations have come to a halt.
			3. Focus investment-related economic policy on research and innovation, low carbon and energy transition, sustainable transport, in particular rail, and environmental infrastructure, taking into account regional disparities. *Split into Sub-CSRs*	**Limited Progress.**
			• Focus investment-related economic policy on research and innovation,	**Some Progress.** Slovenia has not fully implemented its research and innovation strategy, and there is little harmonisation among different policies and strategies.
			• low carbon and energy transition,	**Limited Progress.** Climate change adaptation received about €90 million for climate change adaptation from the cohesion policy for 2014-2020. The selection and implementation of projects has improved. However, a comprehensive climate change strategy covering all sectors has not been prepared yet. A more specific regulatory framework for the adaptation to climate change is planned to be provided in the Environmental Protection Law, which is currently being adopted. The use of low carbon energy remains limited and there are lags in the implementation of the programme the fields of transport and power generation.
			• sustainable transport, in particular rail, and	**Some Progress.** Slovenia published an investment plan for transport to increase the funding of railways and sustainable mobility in the period 2020-2025. It also adopted an 'Action plan for alternative fuels in transport' setting specific objectives and measures for uptake of alternative fuels in transport.

			• environmental infrastructure, taking into account regional disparities.	**Limited Progress.** Slovenia accelerated the implementation of the EU co-financed wastewater projects but investment gap still prevails in this sector. In addition, the integration of environmental aspects, particularly, nature considerations, into planning and implementing infrastructure projects, is challenging. To tackle the challenges in the water sector, the Government proposed an amendment of the national water legislation in December 2019.

SK	[2018 CSRs](#) SGP: CSR 1 MIP: -	[Assessment of implementation of 2018 CSRs](#) February 2019	[2019 CSRs](#) SGP: CSR 1 MIP: -	[Assessment of implementation of 2019 CSRs](#) February 2020
	1. Ensure that the nominal growth rate of net primary government expenditure does not exceed 4,1 % in 2019, corresponding to an annual structural adjustment of 0,5 % of GDP. Implement measures to increase the cost effectiveness of the healthcare system and develop a more effective healthcare workforce strategy. *Split into Sub-CSRs*	**Some Progress** (this overall assessment of CSR 1 does not include an assessment of compliance with the SGP). In June 2019, the Commission evaluated compliance with the SGP in its [assessment of the 2019 Stability Programme for Slovakia](#) (without using or explicitly referring to the assessment grid used for other CSRs): *"According to the Stability Programme, Slovakia plans a growth rate of government expenditure, net of discretionary revenue measures, which is in line with the applicable expenditure benchmark rate in both 2019 and 2020. On this basis Slovakia also plans an improvement of the structural balance of 0.5% of GDP in 2019, when it plans to be close to the MTO. The Programme is based on unspecified consolidation measures, posing risks to meeting the headline targets.* ***By contrast, based on the Commission 2019 spring forecast, the headline deficit is expected to fall to 0.5% of GDP in 2019 but increase again to 0.6% of GDP in 2020. This path implies significant deviations from the required adjustment path towards the MTO according to both pillars in both 2019 and 2020 when looking at the respective two year averages.*** *The lack of consolidation effort in 2018 is expected not to be compensated sufficiently in years 2019 and 2020."* (p. 21)	1. Achieve the medium-term budgetary objective in 2020. Safeguard the long-term sustainability of public finances, notably that of the healthcare and pension systems. *Split into Sub-CSRs*	**Limited Progress** (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact; the Stability and Growth Pact compliance assessment will be added to the table once the Commission has carried out such an assessment, probably in May/June 2020, on the basis of final data for 2019).
	• Ensure that the nominal growth rate of net primary government expenditure does not exceed 4,1 % in 2019, corresponding to an	*See grey part above.*	• Achieve the medium-term budgetary objective in 2020.	The compliance assessment with the Stability and Growth Pact will be included in Spring when final data for 2019 will be available.

	annual structural adjustment of 0,5 % of GDP.			
	• Implement measures to increase the cost effectiveness of the healthcare system and develop a more effective healthcare workforce strategy.	**<u>Some Progress.</u>** Inefficiencies in healthcare spending are being tackled, including through better procurement. Healthcare staffing is receiving the policy attention it deserves although tangible results are slow to emerge. Public hospitals and the overall care system are seeing less progress, including in the financial performance of the former.	• Safeguard the long-term sustainability of public finances, notably that of the healthcare and pension systems.	**<u>Limited Progress.</u>** Regarding healthcare: In 2019, the Ministry of Finance carried out a third healthcare spending review. The implementation of measures identified in previous spending reviews has improved the efficiency of the public health insurance system. However, the expenditure of university hospitals has also increased mainly due to the automatic rise in the wage bill. The introduction of a performance budgeting system, which should improve allocation efficiency, is in preparation. The cabinet approved strategic documents focused on follow-up health care and on modernising the hospital network. Nevertheless, this reform was not adopted by the Parliament at the end of 2019. A system of DRG- based payments is being implemented. While these measures are crucial, it is expected that the savings they can bring about are quickly absorbed by the system which is, amongst others factors, facing increased demand and running sizable arrears. Regarding pensions: The 2019 legislation removed the automatic adjustment of the statutory retirement age to life expectancy and caps the retirement age at 64, while also granting women the possibility to retire half a year earlier for each child raised, up to a maximum of three children. As a consequence, the statutory retirement age will continue to increase, albeit at a slower pace, until about 2030 when it will reach 64 and will stabilise then. Official estimates of the impact of the reform are not available yet. Furthermore, in October 2019, the National Council set the minimum pension at 33% of the average wage of 2 years ago for those having paid into the system for at least 30 years, abolishing the previous link to the subsistence minimum. This change, while positive for pension adequacy, was adopted in Parliament without expert discussion. Incentives to contribute to the pension system more than the mandatory minimum are

				weakened. These reforms increase risks to long-term fiscal sustainability. Preliminary Commission/Ageing Working Group estimates point to an expenditure increase of 5.2 pps of GDP over the long-term (from 8.6% in 2016 to 13.8% in 2070, instead of 9.8% in 2070 in the 2018 Ageing Report). Counterbalancing measures have not been put forward. The reforms capping retirement age are likely to put pressure on the at- risk-of-poverty-or-social-exclusion rate for elderly, in 2016 with 12.3% still among the lowest in the EU, as well as on the aggregate replacement ratio in 2016 with 62% still above EU average. The change in the minimum pension's formula may also further undermine long-term fiscal sustainability.
	2. Reinforce activation and upskilling measures, including quality targeted training and individualised services for disadvantaged groups, in particular by delivering on the action plan for the long-term unemployed. Foster women's employment, especially by extending affordable, quality childcare. Improve the quality and inclusiveness of education, including by increasing the participation of Roma children in mainstream education from early childhood onwards. *Split into Sub-CSRs*	**Some Progress.**	2. Improve the quality and inclusiveness of education at all levels and foster skills. Enhance access to affordable and quality childcare and long-term care. Promote integration of disadvantaged groups, in particular Roma. *Split into Sub-CSRs*	**Limited Progress.**
	• Reinforce activation and upskilling measures, including quality targeted training and individualised services for disadvantaged groups, in particular by delivering on the action plan for	**Some Progress.** Implementation of the Action Plan is well on track. Progress on upskilling measures is less encouraging, with a very low participation of adults in learning and insufficient funding for skills training.	• Improve the quality and inclusiveness of education at all levels and foster skills.	**Limited Progress.** Progress in improving access to qualitatively high and inclusive education, in particular for Roma children, remains limited. The compulsory preschool entry age as of 5 will be introduced as of 2021, however, the high quality, accessibility and inclusiveness of early childhood education will need to be ensured to bring the necessary results, in particular for children from marginalised Roma communities. Despite the recent pay

	the long-term unemployed.			increases, teachers' salaries remain low and the teaching profession faces shortages as its attractiveness remains limited. The new legislation and national projects aimed at improving the quality of teaching will need to be efficiently implemented and monitored. The new Accreditation Agency, and new legislation in higher education provide a good basis for further more substantial reform measures in this field.
	• Foster women's employment, especially by extending affordable, quality childcare.	**Some Progress** has been made in increasing the capacity of and access to early childhood education and care, particularly for the over threes. But employment rates do not yet reflect these improvements.	• Enhance access to affordable and quality childcare and long-term care.	**Limited Progress.** Childcare facilities have continued to be developed, including through support from the ERDF, but there were no new systemic measures addressing lack of childcare, in particular in the most affected localities (Bratislava, Košice). The development of long-term care services is hindered by the lack of strategic mapping and planning at the government level. The recent amendment of the law on Social Services introducing an e-tracking tool for social services (to be launched in 2021) could support the mapping of the needs.
	• Improve the quality and inclusiveness of education, including by increasing the participation of Roma children in mainstream education from early childhood onwards.	**Limited Progress.** A new national reform programme and other measures were adopted in 2018 to facilitate participation in early childhood education and care, and primary education. Corresponding investments are planned from 2019 to 2027. The Action plan includes lowering the age of obligatory schooling to 5 as of 2020, and enhancing the capacity of kindergartens, and measures to assist the integration of children from disadvantaged backgrounds, with special focus on the marginalised Roma communities.	• Promote integration of disadvantaged groups, in particular Roma.	**Limited Progress.** Limited progress has been made in promoting the integration of disadvantaged groups. There have been several ongoing projects aiming at integration of Roma, with an increasing uptake of activities in the last year. Nevertheless, these activities are still deployed on more of an ad- hoc local basis, rather than through strong systemic action covering the challenge from the country perspective.
	3. Increase the use of quality-related and lifecycle cost criteria in public procurement operations. Tackle corruption, including by ensuring enforcement of existing legislation and by increasing accountability at the level of police and prosecution. Improve the effectiveness of	**Limited Progress.**	4. Continue to improve the effectiveness of the justice system, focussing on strengthening its independence, including on judicial appointments. Increase efforts to detect and prosecute corruption, in particular in large-scale corruption cases.	**Some Progress.**

	the justice system, in particular by safeguarding independence in judicial appointment procedures. Reduce the fragmentation of the public research system and stimulate business innovation, including for small and medium-sized enterprises. *Split into Sub-CSRs*		*Split into Sub-CSRs*	
	• Increase the use of quality-related and lifecycle cost criteria in public procurement operations.	**Some Progress.** With the latest amendment of the Public Procurement Act, the Public Procurement office introduced measures to speed up Public Procurement to increase the absorption of the European Structural and Investment Funds. Measures include updating the system of management for European Structural and Investment Funds simplification and shortening of public procurement procedures, (re-)drafting of guidance and documentation for tenderers and improving the professionalisation of public procurement. Progress is being made as regards efficiency and administrative capacity.	• Continue to improve the effectiveness of the justice system, focussing on strengthening its independence, including on judicial appointments.	**Some Progress.** Slovakia has made some progress in improving the effectiveness of the justice system, in particular as regards the quality and efficiency. As regards strengthening the independence, including judicial appointments, as a positive development, the SK president on 10 October 2019 appointed the missing six judges to the SK Constitutional Court, successfully bringing to a positive end an impasse that had existed since February 2019. The SK Constitutional Court is now composed of 13 judges as foreseen by the SK Constitution and finally full operational again. However, longstanding concerns over the overall integrity of Slovakia's judicial system continued to mount in the second half of 2019 due to increasing evidence over close links of white-collar criminals with the political level and individual judges and prosecutors, including a former General Prosecutor. The low perception of judicial independence thus continues to be most serious challenge for Slovakia remains in the bottom of EU Member States.
	• Tackle corruption, including by ensuring enforcement of existing legislation and by increasing accountability at the level of police and prosecution.	**Limited Progress.** Tackling corruption requires, among other things, increasing accountability at the level of police and prosecution, which has seen little change yet. However, a substantial revision of the rules of appointments and dismissals in the Police was adopted in December 2018, which should improve accountability of the police chiefs.	• Increase efforts to detect and prosecute corruption, in particular in large-scale corruption cases.	**Limited Progress.** The recent criminal statistics show fluctuation but no explicit improvement. There are reportedly improved efforts to sanction legal persons (6 cases in 2019).

	• Improve the effectiveness of the justice system, in particular by safeguarding independence in judicial appointment procedures.	**Limited Progress** has been made towards improving the effectiveness of the justice system. Despite a number of past reforms that have led to improvements in certain areas, long-standing concerns regarding the independence of the judiciary remain unaddressed.		
	• Reduce the fragmentation of the public research system and stimulate business innovation, including for small and medium-sized enterprises.	**Limited Progress** has been made in improving stimulation for business innovation with the extended rate of the R&D tax allowance and other upcoming support schemes for the small and medium-sized enterprises ecosystem, mostly financed from the European Structural and Investment Funds. However, measures to improve efficiency and consolidate the public research system are still not adopted, notably the transformation of the Slovak Academy of Sciences or a broader assessment of the research and innovation system.		
			3. Focus investment-related economic policy on healthcare, research and innovation, transport, notably on its sustainability, digital infrastructure, energy efficiency, competitiveness of small and medium-sized enterprises, and social housing, taking into account regional disparities. Increase the use of quality-related and lifecycle cost criteria in public procurement operations. *Split into Sub-CSRs*	**Limited Progress.**
			• Focus investment-related economic policy on healthcare,	**Limited Progress.** In the area of 'hard' infrastructure (e.g. hospitals), a key precondition for effectively stepping up public investment in health care is the establishment of a medium-to-long-term investment strategy. A large part of such strategy has been developed by the Slovak health authorities as part of their reform proposal for a functional and

				geographic reconfiguration of the national hospital network, which set out a more concentrated network of 46 hospitals distributed optimally across the country. However, the adoption of this reform has stalled in December 2019. Since a significant increase in investment in public health care infrastructure is contingent on the adoption of this reform, the preconditions for the implementation of this recommendation have practically not materialised yet. Another missing enabler for effectively stepping up public investment in health care infrastructure has been the issue of hospital debt. In a context where care facilities are responsible for their own capital investment, the stock of debt of public hospitals has kept increasing despite several bailout rounds from the general government budget. As a result, EU funds have remained the main driver of 'hard' infrastructure investment in the Slovak health care sector for both inpatient and outpatient care facilities. Investment in 'soft' infrastructure (i.e. human capital) has seen comparatively greater progress over the past year. In light of recent projections foreseeing significant shortages of health personnel in 2030, the government has stepped up efforts to increase the supply of health professionals in the future and improve their retention within the public health care system. As per investment in public health operations, the implementation of the national cancer plan developed in 2018 has started. The first measures introduced in 2019 included a pilot project for colorectal cancer screening and the definition of quality standards of mammography centres. Investment in general health promotion and disease prevention remains relatively low, as indicated by the below-EU average share of health spending on preventative care. Bearing in mind that this specific recommendation presupposes a multi-annual time horizon for its implementation, year-on-year progress is assessed as 'limited' overall, following the 5-point assessment scale defined by the Social Protection Committee.

			• research and innovation,	**Limited Progress.** The amounts eligible for the R&D tax deduction were raised by authorities. However, the dependence on EU funds and failure to achieve spending targets set in the operational programme hamper R&D investment.
			• transport, notably on its sustainability,	**Limited Progress.** In March 2019, an action plan promoting e-mobility was adopted, including measures such as accelerated depreciation rates of electric vehicles and of charging stations. Green European Vehicles license plates and schemes to promote accessible charging stations and the purchase of electric vehicles are also being implemented. Yet, take-up remains limited thus far.
			• digital infrastructure,	**Limited Progress.** The government and telecom operators aim to bring fast internet to all Slovak cities. The government formally agreed with the operators to cover the white spots with broadband, and announced that this plan is on track. 5G auctions are delayed.
			• energy efficiency,	**Some Progress.** Investments in renovating multi-family apartment buildings are producing good results, Slovakia being on track on reaching its ambitious national goals for 2020. However, renovation of public buildings and single-family dwellings seem to lag behind. Additional measures are also needed in other areas of energy efficiency (e.g. improving energy efficiency of productive SMEs). In these areas, available funding instruments seem very low compared to available financial assets (of e.g. insurance companies or pension funds).
			• competitiveness of small and medium-sized enterprises,	**Limited Progress.** Despite the approval of three packages of measures to simplify the business environment, Slovakia is losing ground in international rankings of competitiveness. Support to entrepreneurship is below EU average. High regulatory burden, frequent legislative changes and poor implementation of adopted measures all contribute to hampering competitiveness. Recently, the government approved a draft Action Plan of the Economic Policy Strategy by 2030 consisting of 31 measures to improve the business environment.

			• and social housing, taking into account regional disparities.	**Limited Progress.** Measures on supporting social housing through social entrepreneurship are being prepared under the OP Human Resources. It remains to be seen whether and how will these materialise.
			• Increase the use of quality-related and lifecycle cost criteria in public procurement operations.	**Some Progress.** The interest of contracting authorities for increasing the use of quality criteria and life-cycle costing is rising. The Public Procurement Office and Central Coordination Authority make lots of efforts in providing methodology and training. Results will show at a later stage, as learning and implementation take time.

FI	2018 CSRs SGP: CSR 1 MIP: -	Assessment of implementation of 2018 CSRs February 2019	2019 CSRs SGP: CSR 1 MIP: -	Assessment of implementation of 2019 CSRs February 2020
	1. Achieve the medium-term budgetary objective in 2019, taking into account the allowances linked to the implementation of the structural reforms for which a temporary deviation is granted. Ensure the adoption and implementation of the administrative reform to improve cost-effectiveness and equal access to social and healthcare services. *Split into Sub-CSRs*	**Limited Progress** (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact). In June 2019, the Commission evaluated compliance with the SGP in its Assessment of the 2019 Stability Programme for Finland (without using or explicitly referring to the assessment grid used for other CSRs): *"**Finland is expected to remain at its adjusted MTO in 2019** and close to the MTO in 2020. At the same time, **based on the Stability Programme, the expenditure benchmark would currently point to a risk of a significant deviation from the requirement in 2018 and 2019 taken together as well as in 2019 and 2020 taken together. If compliance with the MTO, taking into account the allowance linked to implementation of structural reforms, can no longer be established in future assessments, an overall assessment would need to take into account a possible deviation from the requirement.**"* (p. 20)	1. Ensure that the nominal growth rate of net primary government expenditure does not exceed 1.9% in 2020, corresponding to an annual structural adjustment of 0.5% of GDP. Improve the cost-effectiveness of and equal access to social and healthcare services. *Split into Sub-CSRs*	**No overall assessment of CSR 1.** The Stability and Growth Pact compliance assessment will be added to the table once the Commission has carried out such an assessment, probably in May/June 2020, on the basis of final data for 2019
	• Achieve the medium-term budgetary objective in 2019, taking into account the allowances linked to the implementation of the structural reforms for which a temporary deviation is granted.	*See grey part above.*	• Ensure that the nominal growth rate of net primary government expenditure does not exceed 1.9% in 2020, corresponding to an annual structural adjustment of 0.5% of GDP.	The compliance assessment with the Stability and Growth Pact will be carried out in spring 2020, when final data for 2019 will be available.

	• Ensure the adoption and implementation of the administrative reform to improve cost-effectiveness and equal access to social and healthcare services.	**Limited Progress** has been achieved on ensuring the adoption and implementation of the regional social and healthcare services reform. The draft laws on the reform are still expected to be adopted and to come into effect during the first quarter of 2019. However, the general elections in April 2019 risk to produce yet further delays. Preparative actions in the forthcoming counties, responsible for the reform, have been taken in such manner that they have a good degree of readiness for the adoption and implementation of the reform. Nevertheless, at the moment, it is unclear how the reform's savings mechanisms might deliver the planned containment of the costs arising from the ageing population.	• Improve the cost-effectiveness of and equal access to social and healthcare services.	**Limited Progress** has been achieved on improving cost-effectiveness of and equal access to social and healthcare services. The government plans to continue with the healthcare reform initiated by the previous government. The reform still aims at addressing the fragmentation of the system and the related financial challenges faced by small, remote municipalities. The considered centralisation of service provision to county level is likely to lead to increases in efficiency. Accessibility would be promoted through a strengthening of the primary care system. The government plans to adopt the reform by the end of its term.
	2. Improve incentives to accept work and ensure adequate and well-integrated services for the unemployed and the inactive. *Split into Sub-CSRs*	**Limited Progress.**	2. Improve incentives to work and enhance skills and enhance active inclusion, notably through well-integrated services for the unemployed and the inactive. *Split into Sub-CSRs*	**Some Progress.**
	• Improve incentives to accept work and	**Limited Progress** has been made on reducing inactivity and unemployment traps. A number of reforms in the labour market have already been introduced. Nevertheless, further measures would be needed to address the still relatively high structural unemployment (NAWRU at around 7% in 2018). The Finnish authorities are waiting for the outcome of the basic income experiment, whose first results were presented on 8 February 2019. The experiment is expected to provide some information for revising the social security system. There has been a lot of discussion about the possible future reform of the tax-benefit system. However, given the political agenda, no movement in this area is expected before	• Improve incentives to work	**Limited Progress** has been made on reducing inactivity and unemployment traps. The social security reform is a long-term process aiming at simplifying the benefit system. The reform could be a major component in helping the government attain its objective of a 75% employment rate for people aged 15-64 by making work pay more in all circumstances. Moreover, it should improve the coordination of different benefits. The government plans to implement the reform gradually, over the course of two government terms. The groundwork started during Sipilä's government term. In 2019, Finland deployed a real-time income register that could reduce the bureaucratic traps. This register has the potential to speed up handling times of benefits, thus increasing the 'certainty of income' level, whenever part-time or short-term work is taken up.

		spring 2019. The government's budget for 2019 introduces complementary measures to promote employment and improve incentives to accept work.		Moreover, it could open up possibilities for a more effective combination of work-income and benefits in the future. The government has set up seven ministerial working groups with tripartite subgroups to prepare labour market reforms to explore ways to increase employment.
	• ensure adequate and well-integrated services for the unemployed and the inactive.	**Limited Progress** has been achieved on public employment services. The number of one-stop-shops, Ohjaamot, offering low-threshold, cross-sectoral information, advice and guidance to youth and young adults have been increased from 50 to 60, covering all regions in Finland. However, the formal adoption of the regional government, health and social services reforms, including the public employment and entrepreneur services, has not taken place. Also, integration of services could have regressed: with the vocational education and training reform, training related to active labour market policies is now under the responsibility of the Ministry of Education, and not any more of the Ministry of Employment, so further away from employment services.	• and enhance skills	**Some Progress** has been achieved on skills. The government programme recognises inequality, exclusion and differences in learning outcomes as the most serious threats in education. The budget has been increased to address these challenges. The recent VET reform pushes for more responsiveness to the labour market needs and is in its final stages of implementation. Participation in adult education is concentrated on the highly educated, high-skilled, and high-earning employees. The government is launching a 'continuous learning' reform to address skills shortages of adult workers. Notwithstanding, labour shortages, especially of high-skilled workers, are reported to be the most important obstacle to investment and risk becoming a drag on growth. There is a concern about the lack of sufficient funds to implement recent educational reforms in early childhood education, as well as in compulsory and tertiary education.
			• and enhance active inclusion, notably through well-integrated services for the unemployed and the inactive.	**Some Progress** has been achieved on active inclusion. The announced 'work ability' reform is expected to result in better coordinated benefits, more personalised, more integrated services. The same results are also expected from trials carried out in municipalities to improve integration of employment services, education and training services, and social and health services in order to support employability of jobseekers who have weak labour market status (those receiving labour market support,, i.e. basic unemployment benefit, young people under 30 years old, and immigrants). The assumption is that more locally provided services would be more efficient. The Parliament will decide on the law in February-March 2020, and the trials are expected to follow in April-May. The government has earmarked €36 million for implementing

				the 'work ability' programme. This programme aims to increase the inclusion of people with partial work abilities in the labour market. Employment services, and social and health services will be strengthened. Some 20 work ability coordinators will be hired in the employment offices. As a part of the work ability programme, public procurement will be used to hire those people in the weakest position in the labour market.
	3. Strengthen the monitoring of household debt including by setting up a credit registry system. *Split into Sub-CSRs*	**Limited Progress.**	4. Strengthen the monitoring of household debt and establish the credit registry system. *Split into Sub-CSRs*	**Some Progress.**
	• Strengthen the monitoring of household debt	**Limited Progress** is observed on monitoring the household debt, through the setting up of an expert working group assessing household debt developments and possibilities to introduce new macroprudential instruments into the legislation.	• Strengthen the monitoring of household debt	**Some Progress** has been made on monitoring the household debt. In October 2019, the Ministry of Finance proposed to limit to 60% the loan to value ratio (selling price ratio) applicable to housing companies. In parallel, a debt-to-income ratio cap will be applied to households when their loan requests exceed a certain threshold. The Ministry of Finance is drafting further macro-prudential measures. The legislation on consumer credit has been tightened. An interest cap at 20% entered into force in September 2019.
	• including by setting up a credit registry system.	**Limited Progress** has been made on setting up a credit registry system. The Ministry of Justice has commissioned a report proposing the establishment of a centralized comprehensive (collecting both positive and negative information on debtors) credit registry. The proposal is now in circulation for comments after which the matter will be further assessed. The group should report of its work and conclusions by the end of March 2019. The required legislation would only be tabled after the next general election in April 2019.	• and establish the credit registry system.	**Limited Progress** has been made on the setting up a credit registry system. The work on the credit registry is still being planned. The government has recently decided that the credit registry is to be managed by a public entity. The official working group is expected to be established in early 2020. The necessary legislative work on data protection is expected to start in January 2020, while work on the registry itself might incur delays. Nevertheless, the authorities are committed to having the necessary legislation in place by 2023.
			3. Focus investment-related economic policy on research and inno-	**Limited Progress.**

			vation, taking into account regional disparities, focus investment-related economic policy on low carbon and energy transition, taking into account regional disparities, and focus investment-related economic policy on sustainable transport, taking into account regional disparities. *Split into Sub-CSRs*	
			Focus investment-related economic policy on research and innovation, taking into account regional disparities,	**Limited Progress** has been made on public research and innovation investment. The amount of public money for research and development support is expected to increase, but remain broadly stable as a proportion of GDP. A roadmap will be drawn up to raise overall R&D investment to 4% of GDP and to make Finland the best place in the world for innovation and experiment.
			• focus investment-related economic policy on low carbon and energy transition, taking into account regional disparities,	**Limited Progress** has been made on investment in low carbon and energy transition. The government's objective is to make Finland carbon neutral by 2035 and the world's first fossil-free social society. This will require a comprehensive agenda of policies and measures. The government has announced an overhaul of energy taxation by the 2020 budget, notably with a pledge to phase out fossil fuel subsidies on oil, coal and, possibly, peat.
			• and focus investment-related economic policy on sustainable transport, taking into account regional disparities.	**Limited Progress** has been achieved on investment in sustainable transport. Sustainable infrastructure investment is being planned, notably to increase labour mobility. Three high-speed railroad lines are being considered to improve labour mobility, but economic studies have not been carried out yet by independent analysts. A new national transport system will be developed in 2020-2021 under the lead of a parliamentary steering group.

SE	2018 CSRs SGP: - MIP: CSR 1	Assessment of implementation of 2018 CSRs February 2019	2019 CSRs SGP: - MIP: CSR 1	Assessment of implementation of 2019 CSRs February 2020
	1. Address risks related to high household debt by gradually reducing the tax deductibility of mortgage interest payments or increasing recurrent property taxes. Stimulate residential construction where shortages are most pressing, in particular by removing structural obstacles to construction, and improve the efficiency of the housing market, including by introducing more flexibility in setting rental prices and revising the design of the capital gains tax. *Split into Sub-CSRs*	**Limited Progress.**	1. Address risks related to high household debt by gradually reducing the tax deductibility of mortgage interest payments or increasing recurrent property taxes. Stimulate investment in residential construction where shortages are most pressing, in particular by removing structural obstacles to construction. Improve the efficiency of the housing market, including by introducing more flexibility in rental prices and revising the design of the capital gains tax. *Split into Sub-CSRs*	**Limited Progress.**
	• Address risks related to high household debt by gradually reducing the tax deductibility of mortgage interest payments or increasing recurrent property taxes.	**No Progress.** No measures have been announced to adjust the relevant fiscal incentives.	• Address risks related to high household debt by gradually reducing the tax deductibility of mortgage interest payments or increasing recurrent property taxes.	**No Progress.** No measures have been announced to reduce the tax deductibility of mortgage interest payment or to increase recurrent property taxes.
	• Stimulate residential construction where shortages are most pressing, in particular by removing structural obstacles to construction,	**Some Progress.** Sweden is continuing with the gradual implementation of the '22-point plan' to increase residential construction and improve the efficiency of the housing sector. The authorities have also proceeded with an initiative to raise participation of foreign firms in the Swedish construction sector, including by setting up an online portal with English-language info on Swedish building and planning regulations.	• Stimulate investment in residential construction where shortages are most pressing, in particular by removing structural obstacles to construction.	**Limited Progress.** Sweden has integrated its policy ambitions for the housing market into the January agreement of early 2019. This includes a subsidy for the construction of new rental housing.
	• and improve the efficiency of the housing market, including by	**Limited Progress.** In January 2019, the Swedish authorities announced that reforms will	• Improve the efficiency of the housing market, including by introducing	**No Progress.** The government marginally changed the capital gains tax - a deferral of the capital gains

	introducing more flexibility in setting rental prices and revising the design of the capital gains tax.	be prepared to make the rent-setting system more flexible. There are also plans to make deferred capital gains taxes on sold properties in the owner-occupancy market interest-free.	more flexibility in rental prices and revising the design of the capital gains tax.	tax liability on housing transactions remains possible when changing houses, while the maximum deferrable amount increased to SEK 3 million. However, this is de facto a tightening since the cap had been temporarily removed previously. There has been no change in the setting of rents.
			2. Focus investment related economic policy on education and skills, maintaining investment in sustainable transport to upgrade the different transport modes, in particular railways, and research and innovation, taking into account regional disparities. *Split into Sub-CSRs*	**Some Progress.**
			• Focus investment related economic policy on education and skills,	**Some Progress.** While some measures have been taken, for example in the 2020 Budget Bill, there is a continued need for investments in education and skills.
			• maintaining investment in sustainable transport to upgrade the different transport modes, in particular railways,	**Substantial Progress.** The implementation of the national plan for infrastructure 2018-2029 adopted in June 2018 is underway according to plan confirmed by the 73-point program presented by the government and its two supporting parties which include measures to support transport infrastructure.
			• and research and innovation, taking into account regional disparities.	**Some Progress.** Sweden continues to invest considerable resources in R&D and continues to be one of the most innovative economies in the EU. With 3.31% of GDP allocated to R&D (2018), Sweden remains the country with the highest R&D spending in the EU. However, there is a slight decrease in R&D Intensity (GERD as % of GDP) from 3.37 (2017) to 3.31 (2018), mainly due to a reduction in the business enterprise expenditure on R&D (BERD) as % of GDP from 2.4 (2017) to 2.35 (2018).
			3. Ensure effective supervision and the enforcement of the anti-money laundering framework.	**Some Progress.** Sweden has made substantial progress in terms of new legislative measures that will form the basis for a strengthened anti-money laundering framework. It has achieved some progress through the creation

				of a special body to promote collaboration between different competent authorities. Sweden has made some progress to ensure more effective supervision and enforcement by allocating additional human resources to both the Financial Supervisory Authority, which will enable the authority to develop a new risk classification tool, and the Financial intelligence Unit, which will allow it to process information more effectively. Sweden also made some progress in relation to reviews of major Swedish banks' governance and control of anti-money laundering measures in Baltic subsidiaries and initiated two new investigations at the end of 2019. However, there is limited progress in other areas, notably the FSA's staffing dedicated to supervision remains low compared to the size of the Swedish financial sector and the FIU still needs to make better use of the system for requests and exchange of information between EU FIUs (FIU.net) and strengthen its analytical capacity.

UK	2018 CSRs SGP: CSR 1 MIP: -	Assessment of implementation of 2018 CSRs February 2019	2019 CSRs SGP: CSR 1 MIP: -	Assessment of implementation of 2019 CSRs February 2020
	1. Ensure that the nominal growth rate of net primary government expenditure does not exceed 1,6 % in 2019-2020, corresponding to an annual structural adjustment of 0,6 % of GDP.	The compliance with the Stability and Growth Pact is not assessed in the country report, but in spring 2019. In June 2019, the Commission evaluated compliance with the SGP in its assessment of the 2019 Convergence Programme for the United Kingdom (without using or explicitly referring to the assessment grid used for other CSRs): "***According to the Convergence Programme, the United Kingdom is at risk of significant deviation from the requirements of the SGP in both 2019-20*** *and 2020-21. The Commission 2019 spring forecast confirms this assessment, projecting a risk of significant deviation.* " (p. 20).	1. Ensure that the nominal growth rate of net primary government expenditure does not exceed 1.9% in 2020-2021, corresponding to an annual structural adjustment of 0.6% of GDP.	**No assessment of CSR 1.**
	2. Boost housing supply, particularly in areas of highest demand, including through additional reforms to the planning system.	**Some Progress.** Annual net housing supply has increased significantly from post-crisis lows. However, since mid-2017, the recovery in house building has lost momentum, and it is now stabilising at a level below what would be necessary to meet estimated demand. Real house prices are stabilising, and real rents are now falling slightly, but the cost of housing remains high. The government has recently extended and revised a number of existing housing policies, including updating spatial planning rules. The rules on local authority borrowing to build public housing have been relaxed, but wholly new initiatives have otherwise been limited.	2. Focus investment-related economic policy on research and innovation, housing, training and improving skills, sustainable transport and low carbon and energy transition, taking into account regional diversity. *Split into Sub-CSRs*	**Some Progress.**
			• Focus investment-related economic policy on research and innovation,	**Some Progress** on research and innovation. UK universities remain global research leaders. However, UK R&D intensity is flat and below the EU average and knowledge diffusion is uneven. Delivering on the recent ambitious proposals for future research and innovation support will be a challenge.

			• housing,	**<u>Some Progress</u>** on boosting housing supply. Annual net housing supply has continued to rise but grants of planning permission have levelled off and there are signs of a slowdown in new housing starts. House building looks set to stabilise at a level below that which would be necessary to meet estimated demand, due in part to capacity constraints. Real house prices are no longer rising, though the cost of housing remains high in many places. The government has extended and revised a number of housing policies, including tweaks to the planning system, but major new initiatives have been limited.
			• training and improving skills,	**<u>Limited Progress</u>** on training and improving skills. While labour market participation by low-skilled people has improved, the polarisation of job growth towards high and low-skilled roles (and away from roles requiring medium levels of skills) has been accompanied by increased skills mismatches. Implementing the reformed apprenticeship system is proving a challenge, with registrations down compared to previous years. There is evidence that the apprenticeship levy, introduced in 2017, has seen funding increasingly used to train more senior staff at the expense of entry-level apprenticeships.
			• sustainable transport	**<u>Some Progress</u>** on sustainable transport. The UK has made some progress in sustainable transport. Use of the UK's road, rail and aviation networks is reaching capacity and this contributes to high levels of congestion, rail reliability issues and air pollution. Public investment in transport has increased but the effects of decades of under- investment in infrastructure will take time to address. After some signs of improvement in delivery, major rail schemes have recently fallen behind schedule and over budget. The UK is taking action to meet its ambition to be at the forefront of zero emission vehicles, though it currently lags in the proportion of renewable energy used in the transport sector.
			• and low carbon and energy transition, taking	**<u>Some Progress</u>** on the low carbon and energy transition. With the new commitment to net zero

			into account regional diversity.	carbon emissions by 2050 the government's ambitions are clear, and the preparatory work for allocating the increased investment is advanced. In the electricity sector, the UK continues to make progress in attracting investment in large scale cost-competitive renewables, particularly offshore. Progress is slower in the heating and cooling sector and the UK is not on course to meet its overall 2020 renewables target. The scale of the decarbonisation challenge will require a more detailed investment strategy and sustained commitment. The Industrial Energy Transformation Fund (IETF), announced in summer 2019, will provide £315 million (€359.1 million) to businesses to reduce the impact of emissions from the industrial sector.
	3. Address skills and progression needs by setting outcome targets for the quality and the effectiveness of apprenticeships and by investing more in upskilling those already in the labour force.	**Some Progress.** The government has introduced a series of initiatives that seek to invest in the skills levels of the workforce thus helping advance career progression. The National Retraining Scheme, which seeks to provide career guidance and advice in line with job experience, has been launched. The newly established tripartite National Retraining Partnership comprising the Government, Employers and the Trade Unions will deliver job specific training, in order to meet labour demand needs and increase productivity whilst reducing skills mismatches. The on-going reform of the Vocational Training system plans to introduce 15 'T-level' qualifications, but only three will be available by 2020. Registration numbers for this new twin-track system are far lower than expected and although an apprenticeship levy has been introduced to provide funding to employers, uptake remains low.		

Assessment criteria used by the Commission in its 2018 and 2019 assessments of progress in addressing current Country-Specific Recommendations' (CSRs)

(1) **No progress:** The Member State has not credibly announced nor adopted any measures to address the CSR. This category covers a number of typical situations, to be interpreted on a case-by-case basis taking into account country-specific conditions. They include the following:

- no legal, administrative, or budgetary measures have been announced in the national reform programme, in any other official communication to the national Parliament/relevant parliamentary committees or the European Commission, publicly (e.g. in a press statement or on the government's website);
- no non-legislative acts have been presented by the governing or legislative body;
- the Member State has taken initial steps in addressing the CSR, such as commissioning a study or setting up a study group to analyse possible measures to be taken (unless the CSR explicitly asks for orientations or exploratory actions). However, it has not proposed any clearly-specified measure(s) to address the CSR.

(2) **Limited progress:** The Member State has:

- announced certain measures but these address the CSR only to a limited extent; and/or
- presented legislative acts in the governing or legislative body but these have not been adopted yet and substantial further, non-legislative work is needed before the CSR is implemented;
- presented non-legislative acts, but has not followed these up with the implementation needed to address the CSR.

(3) **Some progress:** The Member State has adopted measures:

- that partly address the CSR; and/or
- that address the CSR, but a fair amount of work is still needed to address the CSR fully as only a few of the measures have been implemented. For instance, a measure or measures have been adopted by the national Parliament or by ministerial decision, but no implementing decisions are in place.

(4) **Substantial progress:** The Member State has adopted measures that go a long way towards addressing the CSR and most of them have been implemented.

(5) **Full implementation:** The Member State has implemented all measures needed to address the CSR appropriately

This study presents the 2018 and 2019 Country-Specific Recommendations as adopted by the Council and their implementation based on the assessment by the European Commission in its Country Reports of 27 February 2019, 05 June 2019 and 26 February 2020. This study was provided by the Economic Governance Support Unit (EGOV).

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