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2013 EUROPEAN SEMESTER: COUNTRY-SPECIFIC RECOMMENDATIONS

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MOVING EUROPE BEYOND THE CRISIS

1. INTRODUCTION

Once a year the Commission reviews the economic and social performance of each EU Member State and makes country-specific recommendations to guide national policies in the coming year. Against the background of a deep economic and financial crisis, which is causing social hardship for many, and recent forecasts which show that the EU is slowly recovering from a protracted recession, this year's recommendations will receive particularly close scrutiny.

The purpose of regular surveillance by the Commission is:

- To identify the major economic and social challenges for the EU and the Euro area, reflecting the growing interdependence between our economies.

- To assess progress, pick up warning signs of problems earlier than in the past and through recommendations to guide Member States to implement their policies in ways that help the EU to adjust and grow sustainably, providing jobs and decent living standards for all its citizens.

The Commission's analysis presented alongside the 2013 recommendations shows that the EU is making lasting changes and is tackling the serious structural problems that built up over the last decade. These changes are taking place against a global backdrop of the need for reform in the most advanced economies and strong economic development in the emerging economies. Member States are engaging in necessary reforms and working hard to get public finances under control. The pace and impact of these efforts varies across countries – adjustment is particularly noticeable in the programme countries and the more vulnerable Member States. The challenge is to implement agreed reforms, sometimes with greater urgency and more ambition. Where the Commission feels that stronger measures are needed, these are set out in the recommendations.

Over the last five years, efforts have been concentrated on crisis management, restoring financial stability and securing the Euro as the prerequisites for future growth. In the short term, recovery is hampered by the high levels of debt – both public and private – accumulated in many Member States and because the repair of the banking sector is slow to bear fruit.

Moreover, the size and urgency of the imbalances built up over several years have led to significant adjustments which now have to be carried out simultaneously across Europe, with a strong interdependence between the EU economies.

Finding a more sustainable growth path takes more time than is desirable. The impact on society of several years of low or no growth is far-reaching, with very high levels of unemployment and rising poverty in several parts of Europe. The level of inequalities and the issue of fairness are now at the centre of public debate, showing that to be successful policies need not only to be well designed but to have political and social support. The dim prospect for labour market improvements in the short term will be a further test for the welfare systems of the Member States. It will take time for the positive effects of today's decisions to work their way through into a more dynamic, growing, job-creating economy.

Europe needs fiscal consolidation – sustainable growth cannot be built on unsustainable debt – and Europe needs real growth so that people can find sustainable employment. The issue of youth unemployment requires specific and urgent action. Since the current crisis is structural as well as cyclical, the pace of reforms needs to be stepped up across the EU to secure recovery and ensure the rebalancing of the economy. "Deficit" countries need to boost their competitiveness and "surplus" countries need to remove the structural obstacles to the growth of their domestic demand.

Structural reforms can be difficult but they help to spread the burden of adjustment and the benefits more evenly across society. Reducing red tape for business helps to foster a business-friendly environment, reducing the cost of services helps low income groups and more efficient public administration delivers better quality, more affordable social services. There is a need for much stronger support measures for the unemployed, notably the long-term unemployed, to help them get the skills or guidance needed to get new jobs, as well as for youth, to help them succeed in the transition from education to work. There is a need to find solutions for businesses with solid business plans that cannot get financing. There is a need across all Member States for greater investment in the performance of the education system, in equipping people with the skills needed for the twenty first century economy and for boosting innovation and competitiveness.

The ECB's action has decisively contributed to removing perceived risks to the stability of the Euro area. However, the transmission of lower interest rates and the restoration of normal lending to the economy, especially in the periphery of the EU are still impaired. Completing the architecture of the Economic and Monetary Union (EMU), particularly the Banking Union, will be essential for underpinning future sustainable growth and preventing the re-emergence of imbalances.

The Commission's analysis of national reform programmes clearly shows that Member States could do more to help themselves get back to growth and move Europe beyond the crisis. To varying degrees, failure to remove obstacles and to seize opportunities, resistance to change and the lack of a sense of urgency in some countries all contribute to an environment which does not help business to flourish and to create jobs. Delays in tackling necessary reforms will only increase their ultimate financial, economic and social costs. The scale of these challenges calls for all stakeholders, including the social partners and civil society, to work together to develop and implement the right responses. Preserving and deepening the European single market will be essential to achieving these common goals.

2. OVERALL ASSESSMENT

The challenges the Union is facing are complex and can only be met by a comprehensive response that brings together the EU and national levels of policy-making and implementation. This is a major objective of the European Semester process.

The detailed analysis which underpins this package shows that:

- **A rebalancing of the EU economy is taking place**. Wide-ranging reforms have been pursued or initiated in recent years – to correct past imbalances and shift the economy onto a more sustainable path. The large and persistent current account deficits witnessed in several countries have been significantly reduced, lowering the risk of sudden interruptions in the external financing of these economies. While some of these reforms will take time to produce their full effects, improvements are already visible across Europe, for instance in terms of export performance or the interest rates paid on sovereign debt.

- **Unemployment, including youth and long-term unemployment, has reached unacceptably high levels** and it is likely to remain high in the near future, calling for determined and urgent action. Reforms have been undertaken to improve the resilience and flexibility of the labour market in several parts of Europe but they will take time to deliver new jobs across the economy.

- **Fiscal consolidation is on-going** and is helping to bring public finances back under control. Still, the ageing profile of many Member States represents a challenge to their future financial sustainability in terms of pensions and health care, so action is needed now in order that Europeans can continue to enjoy high standards of living in the future.

- **Structural reforms are essential** to kick-start growth and serve the dual goal of reducing unemployment and restoring the sustainability of public finances. Restoring competitiveness at home is also key to seizing growth opportunities world-wide.

A number of policy lessons can be drawn from the analysis:

- Further measures are needed to address high levels of public and private debt in many Member States, and the process of deleveraging of over-indebted economies must be pursued and carefully managed. As the lending surveys of the ECB show, improving the health of the banking sector further so that it can channel funding into the productive parts of the economy, in particular to SMEs, is a priority. New schemes which provide financing to the real economy, developed by the Commission and the EIB with the involvement of the ECB, could play an important role here. Investment funding from the EU's structural funds will play a crucial role in parts of the EU in the coming years. Promoting alternative sources of financing and reducing companies' traditional dependence on bank financing is also essential to restore normal lending to the economy.

- Member States with high levels of unemployment need to step up active labour market measures, such as training and employment services. Further reforms to facilitate access to employment, prevent early withdrawals from the labour market, reduce the cost of labour and combat labour market segmentation are recommended. The social partners have a key role to play in helping to shape and deliver these policies. The situation of unemployed young people is particularly worrying and action is recommended along the lines of the EU Youth Guarantee proposed by the Commission and now agreed by the EU Member States.

- Member States need to do more to boost the competitiveness of their economies. Labour costs play an important role and must be kept in line with productivity growth and will continue to be under close scrutiny. Greater competition in product and services markets is also essential to enhance the productivity levels of the economy and lower prices. At the same time, Europe cannot and will not compete in the global economy merely on costs. Prior to and during the crisis the necessary investment has not been made across all Member States in education and skills, research and innovation and resource efficiency. Lack of the right skills, products and services poses a serious threat to Europe's future growth prospects so rapid, remedial action is needed in these areas, in line with the Europe 2020 goals.

- Greater efforts are urgently needed to create conditions that favour business development, the consumer environment and employment creation – for example, substantial improvements are still needed in the functioning of network industries, competition in key service sectors, such as retail, the need to provide for easier access to certain professions and activities, as well as on the effectiveness of public administration.

- Member States with current account surpluses and sufficient fiscal space could do more to reduce the high taxes and social security contributions that they levy on low wages. Recent wage developments in "surplus" countries are contributing to sustaining demand and also have a positive spill-over elsewhere in the EU. These Member States could also boost domestic demand by opening up their services sector through the removal of unjustified restrictions and barriers to entry, thereby making services more affordable for lower income groups and promoting new investment opportunities.

- In the light of the real progress made in reducing budgetary deficits, the degree of consolidation that has already taken place and weaker-than-expected economic activity, the Stability and Growth Pact allows for additional time to be granted to Member States, in certain cases, to reach a deficit level below 3% of GDP. However, backtracking on necessary consolidation is not an option and some Member States still face significant adjustment needs. For a number of them, the Commission is proposing extra time to correct their excessive deficits. This extra time is not being proposed to relax efforts – on the contrary, it is to be used to reduce the structural budgetary deficit, intensify reforms and pave the way for sustainable recovery.

- More can and should be done to improve the efficiency of public expenditure and the fairness and effectiveness of the tax system as part of medium-term fiscal strategies. The inefficiency that is built into the design of some national tax systems (for example some reduced rates and other tax exemptions) needs to be tackled. Stepping up the fight against tax fraud and evasion is also necessary. While priorities differ, several lines of action are recommended to this effect.

- Fairness is essential for the sustainability and effectiveness of reforms. The crisis has already had a lasting impact on the most disadvantaged within our society, with the share of people at risk of poverty increasing in many countries. Member States need to invest in their human capital and in providing their citizens with adequate services. There is a need for greater attention to the distributional impact of reforms to ensure that they produce lasting results for the benefit of all. Several Member States need to pay more attention to combating different forms of poverty – child poverty, homelessness, in-work poverty and over-indebtedness of households – and to ensure the effectiveness of the welfare systems that deal with those affected.

Decisions already taken at EU level have contributed to Member States' reform efforts but further urgent action is needed:

- Member States, which experienced major financial distress, could make use of financial backstops newly created at EU level[1]. Where EU/IMF financial assistance was granted, it is subject to strong conditionality. The implementation of these programmes is on track and is closely monitored.

- Several pending proposals for EU legislation have the potential to unlock growth and job opportunities, for instance in the field of services and by exploiting the digital economy. The Commission will report on progress made as part of the Compact for Growth and Jobs at the June 2013 European Council.

- The Commission proposed a Youth Employment Package in December 2012 which includes the setting up of a European Alliance for Apprenticeships. It also proposed a Youth Guarantee to ensure that all young Europeans get a good quality job offer, further education or training, an apprenticeship or a traineeship within four months of leaving school or becoming unemployed. This Youth Guarantee was adopted by the Council in April 2013. As part of the next multi annual financial framework EUR 6 bn has been earmarked, to work alongside the European Social Fund, through a Youth Employment Initiative to support the Youth Guarantee. Since 2012 the Commission has been working through Youth Employment Action Teams to help the Member States with the highest levels of youth unemployment to reprogramme EU structural funding to target it on young people. It is also leading a multi-stakeholder partnership to tackle the lack of ICT (information and communications technologies) skills in the EU and to fill the projected several hundred thousand vacancies for these skills.

- EU economic governance has been strengthened through recent legislation. Its implementation will enhance the credibility of the on-going reform process. The Treaty on stability, coordination and governance in the EMU is now applicable. The Stability and Growth Pact was reinforced and the new Macroeconomic Imbalances Procedure is in place ("six-pack"). New legislation strengthening the

[1] First the EFSM and EFSF and subsequently the ESM

coordination of policies within the Euro area ("two-pack") will enter into force on 30 May 2013.

- Further steps to deepen the EMU, notably through the establishment of a Banking Union and completing the toolbox of financial backstops provided by the European Stability Mechanism, will strengthen the EU framework further. Discussions are also taking place on ways to reinforce the social dimension of the EMU.

- As soon as agreement can be reached on the next EU multi-annual financial framework, a new generation of EU financial instruments – such as Horizon 2020 for research and the Connecting Europe Facility for infrastructure – can be launched in support of the Europe 2020 Strategy for smart, sustainable and inclusive growth. Greater targeting of the EU structural funds on growth, competitiveness and employment can produce a powerful growth stimulus in several Member States, where a large part of public investment is co-financed by the EU budget. This year's country specific recommendations are particularly important because Member States and regions are now defining their investment priorities for cohesion policy 2014-2020.

3. KEY ACTION STRANDS

The European Semester starts with the publication by the Commission of its Annual Growth Survey. For 2013 the Commission maintained the same five priorities as for 2012:

- Pursuing differentiated, growth-friendly fiscal consolidation

- Restoring normal lending to the economy

- Promoting growth and competitiveness for today and tomorrow

- Tackling unemployment and the social consequences of the crisis

- Modernising public administration.

The European Council endorsed these priorities in March 2013 and set the framework for Member States' action in these areas. Annex 1 provides an overview of the recommendations for each Member State as part of this package. Annex 2 summarises progress towards the Europe 2020 targets. More background information is available in the staff working documents and comparative thematic fiches published on the Europe 2020 website.

The Commission has also made recommendations for the Euro area. The Eurogroup should play an active role in strengthened surveillance of the Euro area by ensuring a coherent overall policy stance and the implementation of reforms needed for the stability and growth of its economy. The Eurogroup will also play a particular role in discussing and coordinating policy reforms "ex ante" in future, as well as in the rapid delivery of essential policy decisions, such as those required for the transition to the Banking Union.

This package of recommendations also builds on the in-depth reviews published by the Commission on 10 April 2013 as part of the Macro-economic Imbalances Procedure. The country-specific recommendations proposed for the 13 Member States covered by this procedure take these imbalances into account.

Pursuing differentiated, growth-friendly fiscal consolidation

Fiscal consolidation is not an end in itself but a means for public authorities to regain their fiscal sovereignty to be able to invest in sustainable growth. Against the background of high public deficits and rising debt levels, the Commission has been advocating the need for fiscal consolidation, which should take place in a differentiated and growth-friendly manner, specific to each couuntry.

Fiscal displine and growth are mutually supportive provided that the right measures are taken. A recent example is provided by the Baltic countries: following deep recessions, Lithuania, Latvia and Estonia are now registering the highest economic growth rates in the EU at 3.6%, 5.6% and 3.2% in 2012 respectively. These three countries have frontloaded fiscal consolidation and rebalanced their economies in a very uncertain environment. The marked improvements in their competitiveness positions are now bearing fruit, helping them to consolidate their public finances and reduce unemployment further, although the high levels of risks of poverty and social exclusion remain sources of concern.

Fiscal consolidation is progressing all across Europe. The EU deficit declined from a peak of -6.9% in 2009 to -4% in 2012 and is expected to fall to -3.4% in 2013, with a growing number of Member States having corrected their excessive deficits. The consolidation paths towards the deficit and debt targets which can take Member States out of the excessive deficit procedure are based on deficits measured in structural terms. Therefore if a significant deterioration of the economic outlook leads to missing the nominal target in spite of implementing the required structural effort, the deadine for correcting the excessive deficit may be postponed. In line with the agreed EU framework, the pace of fiscal consolidation was already adjusted in the recent past for Greece, Spain and Portugal, giving them more time to correct their excessive deficits. The Commission is now updating its recommendations based on the latest information and having assessed the effectiveness of the measures being taken by the Member States (Box 1).

Box 1. Situation of Member States with regard to the Stability and Growth Pact, as recommended by the Commission on 29 May 2013	
No excessive deficit procedure	**BG, DE, EE, FI, LU, SE**
Abrogation of the excessive deficit procedure	**HU, IT, LT, LV, RO**
On-going excessive deficit procedures with 2013 deadlines	**AT, DK, CZ, SK**
On-going excessive deficit procedures with other deadlines - 2015 or 2016	**EL, IE, CY, UK**
Proposed extension of deadlines to meet fiscal objectives – new deadlines of 2014, 2015 or 2016	**ES, FR, NL, PL, SI, PT**
First step towards the opening of an excessive deficit procedure	**MT**
Insufficient action to correct excessive deficit by 2012 – excessive deficit procedure stepped up	**BE**

Thanks to action taken at EU level and the efforts of a number of Member States, interest rates on sovereign debt have gone down and several countries once threatened by unsustainably high refinancing costs are now able to finance their debt at a much lower rate than a year ago. However, given already high levels of debt and the costs associated with an ageing population, their fiscal and financial situation remains fragile.

Against this backdrop, giving more time for certain Member States to meet their agreed objectives is designed to enable them to accelerate efforts to put their public finances into order and carry out overdue reforms. Reform efforts must be stepped up to credibly produce the required outcomes within the new deadlines and excessive deficits must be corrected. The Commission will monitor the situation closely and use the strengthened fiscal governance arrangements for the Euro area countries. Fiscal institutions should be strengthened, at both national and sub-national levels, by implementing credible and effective medium-term budgetary frameworks.

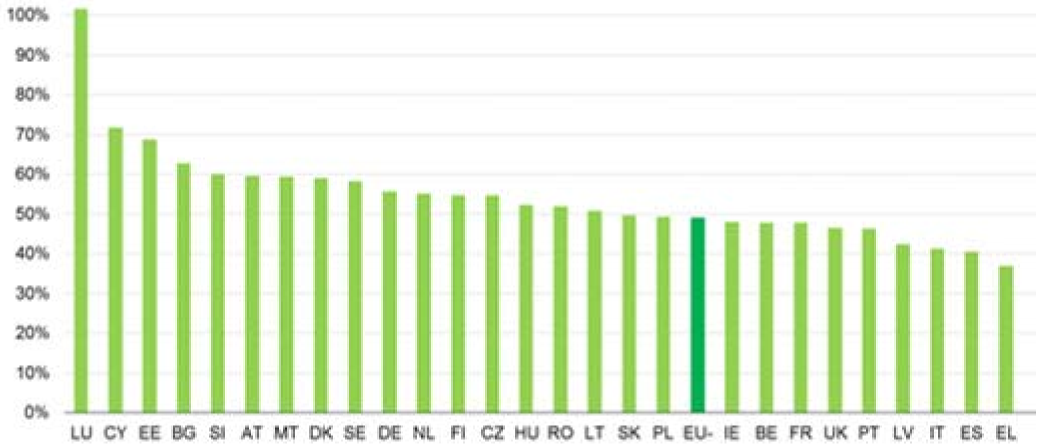
The nature of the fiscal consolidation also matters. In many cases, taxes have been raised instead of expenditure being reduced. This is generally more damaging to growth than the reverse, especially in countries with already high levels of taxation. The Commission recommends ways of making fiscal adjustment more growth-friendly, by acting on both the revenue and spending sides of national budgets.

On the revenue side, the structure of tax systems, and particularly the shifting of the tax base from labour to other sources, is an essential aspect of on-going reforms. A priority for many Member States is to limit labour taxation in order to raise incentives to work and reduce the relatively high cost of labour, in particular for low-skilled workers (see Box 2). Obviously these much needed reforms must then be compensated for financially by other sources of revenue. Increases in recurrent property taxation meet with political objections in several Member States but can be designed to be effective and fair ways of raising public revenue. Another facet of tax shift is towards environmental taxes, for example by taxing sources of pollution and greenhouse gas emissions. These can stimulate the development of new technologies, promote resource efficiency and the creation of "green" jobs, but the impact of high energy prices on households and on competitiveness, including on energy intensive industries, also needs to be monitored so that future decisions can be taken on the basis of sound evidence.

Greater efficiency and fairness of tax systems can be achieved by broadening the existing tax bases. Most tax systems contain exemptions, allowances, reduced rates and other specific regimes, known as "tax expenditures". These are not always justified and can be inefficient tools for achieving their social, environmental or economic objectives. They may also introduce differentiated tax treatment between tax payers that is not always justified and thus reduce the fairness of the system. They can also create opportunities for manipulation and make the system more complex and increase compliance and administrative costs. In several Member States, taxes have been increased but the Commission considers that more could be done to reduce tax expenditures and exemptions, including environmentally and economically harmful subsidies.

For example, VAT revenue actually collected represents only half the amount that the full application of the standard VAT rate would produce (Graph 1). The difference is a reflection of the extent of tax breaks, tax loopholes, lack of compliance and in some cases poor tax administration, which reduce the effectiveness of the VAT system.

Graph 1. Actual VAT revenue in 2011 (% of theoretical revenue at standard rates)



Source: European Commission. The VAT revenue ratio consists of the actual VAT revenues collected divided by the product of the VAT standard rate and the net final domestic consumption. The high value for Luxembourg is explained by the importance of the VAT collected on the sales to non-residents.

Actions to improve tax compliance and fight fraud are essential to increasing the effectiveness and fairness of the taxation system[2]. National, EU level and global actions can all interact here to strengthen taxation systems. The Commission is determined to use all tools at its disposal to step up the fight against fraud and evasion and invites Member States to take measures at domestic and EU level in coordination with other Member States.

2 In December 2012, the Commission presented a comprehensive set of actions to combat tax fraud and evasion on a European and global scale. http://ec.europa.eu/taxation_customs/taxation/tax_fraud_evasion/index_en.htm

Box 2. Examples of recent measures to shift the tax burden away from bases that are distortive to growth

BE has taken some measures to decrease the social contributions for SMEs and for certain categories of employees. A "work bonus" for the low-paid has been introduced and reinforced by reducing employers' social contributions, coupled with a personal income tax credit. DK is gradually decreasing the tax burden on labour to boost employment and growth. HU has reduced social security contributions for selected target groups. FI has increased basic allowances to ease taxation on low income earners. CZ and EE have planned overall reductions of the tax burden on labour.

On the expenditure side, the Commission is of the view that public investment in research, innovation and human capital should be given priority, including through greater cost-efficiency of spending. There is cause for concern in some Member States showing low or decreasing levels of investment in education (for example, BG, EL, IT, SK and RO). There is also scope to maintain or improve the coverage and effectiveness of employment services and active labour market policies, such as training for the unemployed and youth guarantee schemes, as well as to improve the cost-effectiveness of public spending in many areas, including healthcare and long-term care.

The ageing of the population poses a challenge to the sustainability of public finances, through a potential rise in the cost of healthcare and of state-funded pensions. To help meet this challenge by taking action now, the Commission has been recommending increasing the minimum statutory retirement age in line with the increase in life expectancy, as well as phasing out early retirement schemes, in combination with efforts to sustain lifelong learning and the employment rate of older workers. Table 1 summarises recent and announced changes in the pensionable age by Member State.

Table 1. Pensionable age* across the EU

	Pensionable age in 2009	*W* = women (if different)	Pensionable age in 2020	*W* = women (if different)	Further increases after 2020
BE	65		65		
BG	63	*W: 60*	65	*W: 63*	
CZ	62	*W: 56y8m* (1)	63.8	*W: 60y6m* (1)	67+ (2) in 2044
DK	65		66		67+ (3)
DE	65		65.7		67 in 2029
EE	63	*W: 61*	64		65 in 2026
IE	66		66		68 in 2028
EL	65	*W: 60*	67		67+ (3)
ES	65		66y4m		67+ (3)
FR	60(1)		62 (1)		
IT	65y4m	*W: 60y4m*	66y11m		67+ (3)

Source: European Commission
* Age at which people can first draw full benefits without actuarial reduction for early retirement. Information based on legislation adopted by 30 April 2013.

	Pensionable age in 2009	W = women (if different)	Pensionable age in 2020	W = women (if different)	Further increases after 2020
CY	65		65+ (3)		
LV	62		63y9m		65 in 2025
LT	62y6m	*W: 60*	64	*W: 63*	65 in 2026
LU	65		65		
HU	62		64		65 in 2022
MT	61	*W: 60*	63		65 in 2026
NL	65		66y8m		67+ (3)
AT	65	*W: 60*	65	*W: 60*	65 in 2033
PL	65	*W: 60*	67	*W: 62*	67 in 2040
PT	65		65		
RO	63y4m	*W: 58y4m*	65	*W: 61*	65 / 63 (W) in 2030
SI	63	*W: 61*	65		
SK	62	*W: 57y6m* (1)	62+ (3)		62+ (3)
FI	63-68 (4)		63-68 (4)		

SE	61-67 (4)	61-67 (4)	
UK	65 W: 60	66	67 in 2028

(1) Minimum age, varies depending on conditions such as number of children raised or minimum insurance period completed
(2) To increase by 2 months annually until further amendments
(3) Future adjustment to life expectancy gains

In the area of health and long term care the challenge is to balance the need for universal care with increasing demand from an ageing population, technological developments and growing patient expectations in all age groups. Over 70% of the projected increase in age-related public spending is due to health and long term care. Reforms are needed to achieve more efficient use of limited public resources and access to high quality care.

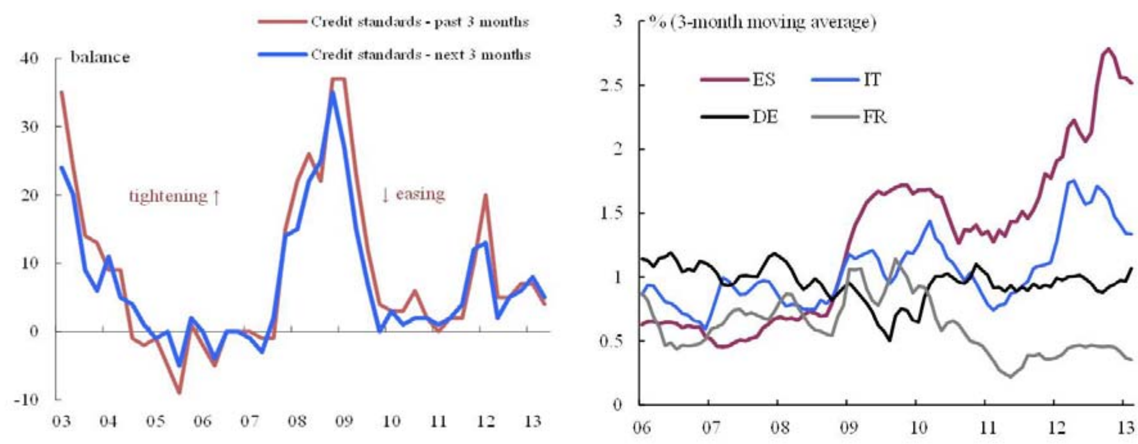
Restoring normal lending to the economy

Lending conditions, notably in countries under financial stress, remain tight and the supply of credit is limited despite the massive support provided by governments and the accommodative monetary policy of the ECB. The situation has worsened particularly in Greece, Ireland, Portugal and Slovenia but also in France, Italy and the UK. Germany is the only country where SMEs are reporting a positive improvement in bank loan availability. Credit to SMEs in some countries is affected by investors' concerns regarding the weak economic and financial environment. Moreover, the on-going repair of the banking system is not yet complete. The cleaning of bank balance sheets remains a priority in several Member States to restore normal lending to the most productive parts of the economy.

Graph 2. Credit conditions remain tight and credit markets are fragmented

Credit conditions in the euro area ECB Bank Lending Survey

Interest rate spread between smaller and larger loans to non-financial corporations



Given the previous levels of unsustainable public and private indebtedness, the ongoing correction in the financial sector is necessary. However, the adjustment should not overshoot what is necessary or be made worse by badly functioning, fragemented markets. Therefore public policy should work to reinforce the banking sector, helping to remove obstacles to corporate financing and investment in infrastructure.

The focus has shifted from raising capital to removing vulnerabilities in the banking sector. EU wide harmonised asset quality reviews should be pursued as part of restoring trust in EU banks and provide transparency on banks' assets and liabilities. This should allow the identification of any remaining pockets of vulnerability and reinforce confidence in the sector as a whole.

Putting a European-level Banking Union in place, with a single supervisor and a single resolution mechanism, will be an important part of completing the overhaul of the financial sector and restoring normal lending. The recapitalisation of those banks that need it should be completed rapidly so that the new single supervisory mechanism can become fully operational and be subsequently complemented by a single resolution mechanism.

Developing alternative sources of financing of the economy, less dependent on bank financing, must be a priority. There are indications of a gradual shift in firms' financing towards capital markets, but the trend is too slow to produce a near term impact. Moreover, SMEs often do not have direct access to capital market financing. Initiatives such as new EU frameworks for investment in venture capital and in social entrepreneurship funds have been agreed and will ease the situation. Moreover, the paid-in capital of the EIB has been increased by EUR 10 billion, which should help to unlock up to EUR 180 billion of additional investment across the EU. This additional funding will allow significant extra lending to SMEs and which should cover a wide geographic and sectoral spread. The pace of EIB lending, in particular for SMEs, must be stepped up as a matter of urgency.

A number of other measures should be prepared at EU and Member State level to facilitate SMEs' access to bank and non-bank financing, such as improving the framework for venture capital, dedicated markets for SMEs and SME pooling, new securitisation instruments for SMEs, setting up standards for credit scoring assessments of SMEs and promoting non-traditional sources of finance such as leasing, supply chain finance or crowd funding.

The European Compact for Growth and Jobs of June 2012 highlighted the importance of investing in infrastructure and pointed to the role of the EU's structural funds and the EIB in this area. The Project Bond initiative launched in November 2012 can play a useful role in re-opening debt capital markets in Europe to infrastructure finance. It now needs to be expanded and developed together with other debt instruments under the Connecting Europe Facility (2014-2020). In March 2013 the Commission also launched a Green Paper on long term financing[3] inviting stakeholders to submit their views on how to improve financing of the real economy and remove obstacles to long term investment.

Box 3. Examples of recent efforts to facilitate access to finance for businesses

To address tight lending conditions DK has taken initiatives, including creating a state investment fund (Danish Growth Capital) and a development and credit package. Another scheme provides credit guarantees for smaller bank loans 2013-2015. The Estonian government is supporting company financing through the KredEx, Enterprise Estonia and the Estonian Development Fund. Poland put a new SME guarantee and created a new growth fund of funds with the European Investment Fund and BGK to stimulate investment in venture capital, private equity and mezzanine funds. In Italy recourse to non-bank funding has been encouraged including through allowances for new corporate equity, the creation of a Fund for Sustainable Growth and the introduction of crowd funding for innovative start-ups. The UK has established the Funding for Lending Scheme, in which banks are able to borrow more cheaply from the Bank of England providing that they use some of the money to lend to businesses. EU structural funds and the action of the EIB are supporting several of these schemes.

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Member States, such as Sweden, the Netherlands and the UK, need to manage the level of private debt and the vulnerability of households faced with possible shifts in the real estate market[4]. Some measures have been taken, for instance on the regulatory side and on reducing tax incentives towards indebtedness, such as tax reliefs on mortgage interest payments. Measures to address imbalances caused by high household indebtedness and high house prices are also producing positive results by reducing the impact of risky loans. Member States should also address the bias that currently exists in the majority of corporate tax systems in favour of indebtedness.

Promoting growth and competitiveness for today and tomorrow

Many Member States are experiencing a reduction in public and private investment[5] and an increase in savings rates, driven by the desire of companies and households to reduce existing debt levels and/or increase asset holdings. While necessary on the part of individual companies and households, this tends to reduce aggregate demand and calls for a comprehensive set of reforms in product and labour markets to reduce the negative impact on growth and to boost longer term growth potential.

Frontloading growth and regaining competitiveness is essential for a successful and lasting recovery. As shown by the recent export performance in Ireland, Spain and Portugal, major adjustments to improve cost and non-cost competitiveness are producing positive effects, already in the short term.

"Deficit" Member States need to reallocate resources, away from non-tradable sectors (such as housing) to tradable sectors. They need to reinforce competition in general, opening services and non-market services including network services. "Surplus" Member States can and should boost domestic demand, for example by reducing the high taxes and social security contributions they levy on low wages. Recent wage developments and resilient labour markets in "surplus" countries will contribute to boosting domestic demand and also have a positive spill over effect elsewhere in the EU. These Member States could do more to open up their services sector by removing unjustified restrictions and barriers to entry, increasing investment, making services more affordable for lower income groups.

In the recent past, the competitiveness of a number of Member States has been hampered by wage increases which outstripped productivity trends. For these Member States, the Commission had recommended reviewing wage-setting mechanisms to align wages with productivity developments, and efforts have been made in this direction. Some Member States have undertaken legislative reforms or introduced incentives to make such a link. In other cases wage indexation schemes have been partially reformed or their application has been frozen but the structural reforms needed to link wage developments with productivity on a permanent basis are still missing. While country-specific recommendations have been maintained for 2013, they have been reformulated to take account of changes that are being made.

Europe clearly needs to step up its innovation efforts and continue to shift production patterns towards high value added activities. According to the latest edition of the Commission's

4 Imbalances for these countries have been identified in this area under the Macro-economic Imbalances Procedure.

5 In 2013 Member States have started to obtain new revenues from the auction proceeds of emission trading allowances which can be used for financing low-carbon innovative projects

Innovation Union scoreboard, there is still a significant gap between those Member States with the weakest innovation performance (BG, RO, LV, PL) and those with the strongest (SE, DE, DK, FI). This places the EU as a whole behind some of its key competitors.

Weak productivity results partly from limited competition in products and services markets, but also from poor performance in education and research, and the inability to transfer research results into goods and services for the market place. A significant share of publicly funded private R&D is done through direct grants. Alternative ways of supporting innovation capacities, such as tax incentives to boost private funding and the strategic use of public procurement, should be developed.

The large economic and jobs potential of the services sector remains untapped. The Commission estimates that EU GDP could be boosted by between 0.8% and 2.6% if Member States were to remove restrictions on the provision of services in line with the Services Directive. Under the most ambitious scenario, the highest gains would be obtained in CY, ES, UK, LU, NL, DK, AT, SE and FR[6]. Concrete measures are recommended to improve competition in the services sector, by removing barriers in retail and excessive restrictions in professional services and regulated professions in particular. The full implementation of the EU Services Directive can play an important role in the development of cross-border services and help to increase productivity on domestic markets.

Improving the business environment, more generally, is a priority and several positive steps have been taken (see Box 4). Some of these good practices could be taken up more widely.

Box 4. Examples of measures taken to develop economic activities in the services sector

Regulations prescribing company form or requiring capital ownership have been made less stringent in Poland, Germany, France, Cyprus and Italy since the Services Directive came into force. The need for prior authorisation to set up businesses has now been abolished for a number of services in Italy and several in France. In the retail market, it is no longer necessary to undergo an economic test to open certain premises in Spain and Germany. Malta has also abolished compulsory tariffs for regulated professions, allowing businesses to set their own prices.

A supportive business environment is needed to encourage new start-ups and allow existing firms to grow and attract investment. While some improvements have been made in the business environment in the last five years the situation still varies widely across Member States. Spain has an ambitious plan to reduce administrative burden – if the draft law on Market Unity is implemented as proposed it could add 1.28% to GDP in the first year. A major simplification plan has been announced in France and significant progress has been made on e-procurement in Portugal and Lithuania.

The quality, coverage and affordability of network industries are essential for the competitiveness of the economy. Several recommendations relate to the development of broadband, improved functioning of the energy market and improvements in the transport sector (railway, airport, ports, road transport). The development or refurbishment of major infrastructures, in line with EU priorities, should remain an important source of activities. The railway market is most open in Denmark, Sweden and the UK which have all seen a growing market share for rail.

[6] See: http://ec.europa.eu/economy_finance/publications/economic_paper/2012/pdf/ecp_456_en.pdf

The job creation potential of the green economy is not fully tapped. Resource efficiency makes economic and environmental sense and is an integral aspect of our future competitiveness. Member States should step up these investments as part of modernising production methods in a more sustainable way. Energy efficiency measures are lagging behind, in spite of their positive impact in terms of jobs and financial savings for businesses and households[7]. Reducing CO2 emissions, notably from the transport and construction sectors, remains a clear priority, in line with EU commitments. The potential of the waste and recycling sector should be taken up. It has been estimated that the full implementation of EU waste legislation would save EUR 72 billion a year, increase the annual turnover of the sector by EUR 42 billion and create over 400,000 jobs by 2020[8].

Tackling unemployment and the social consequences of the crisis

The crisis has had a severe and lasting impact on levels of unemployment and the social situation in many parts of Europe. Social protection systems have helped to cushion the worst social consequences of the crisis although some of them are now coming under strain due to the duration of the crisis. Yet, as shown in Table 2 below, there is an increasing disparity across Member States. In several of them unemployment levels have increased sharply, and the numbers of unemployed reach very high levels. The unemployment situation of young people (with an unemployment rate of 23.5% on average but 55.9% and 62.5% in ES and EL respectively) and the increasing proportion and number of long-term unemployed (from 4.1% in 2011 to 4.6% of the labour force in 2012) are particularly worrying.

However some Member States display a robust employment performance. Austria has the lowest unemployment rate in the EU, at 4.7 % in March 2013, while its overall participation rate has slightly increased to over 75%. In Germany, unemployment decreased from over 8% to 5.4% in just a few years. In the UK, the overall unemployment rate has decreased from 8.2% in 2011 to 7.7% in February 2013.

Major labour market reforms aiming at improving the resilience of the labour market, introducing more internal and external flexibility, reducing segmentation and facilitiating transition between jobs have been introduced in several Member States, sometimes in consultation with social partners. This is particularly the case in countries under programmes. Such reforms should gradually produce their effects. It is important that they take account of the need to build-up rights for the future and ensure the employability of workers.

Given the EU's demographic situation, reforms also need to focus on increasing the labour participation of women and older workers by making sure the tax and benefit systems provide the right incentives to return and stay in work. Developing early childhood education and care, usually referred to as childcare, addressing child poverty and preventing early school-leaving are key instruments to this end. The quality, affordability and accessibility of related services play a crucial role.

In the short term, the capacity of public employment services to cope with the rising number of unemployed people is being heavily tested. More effective job-search assistance and training opportunities, including support to mobility schemes, is needed in several countries.

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7 Two Member States have not communicated their indicative energy efficiency targets as required under articles 3 and 24 of the Energy Efficiency Directive (2012/27/EU) and nine Member States have made incomplete communications.

8 See: http://ec.europa.eu/environment/waste/studies/pdf/study%2012%20FINAL%20REPORT.pdf

All the evidence shows that personalised support produces better results; yet, action in this direction is not being taken, or not fast enough, in several Member States with the highest levels of unemployment. Confronted with increasing requirements public employment services should seek to increase their effectiveness and enhance their cooperation.

The fundamental right of free movement enshrined in the Treaty provides employment opportunities. It is one of the possibilities to address the skills and job mismatch. Labour market mobility also represents an adjustment mechanism in the EMU. The Commission will build on the European Employment Service (EURES), intensifying and broadening its activities including by promoting youth mobility.

Table 2. Unemployment rates and number of persons unemployed, overall and young people (under 25) – March 2013[*]

	Unemployment rates in %	Number of persons unemployed (rounded)	Youth unemployment rates in %	Number of young unemployed (rounded)		Unemployment rates in %	Number of persons unemployed (rounded)	Youth unemployment rates in %	Number of young unemployed (rounded)
EU	10.9	26 521 000	23.5	5 690 000	LT	13.1	193 000	24.8	32 000
BE	8.2	403 000	22.4	93 000	LU	5.7	14 000	19.7	3 000
BG	12.6	421 000	29.2	71 000	HU	11.2	486 000	29.7	92 000
CZ	7.3	384 000	19.5	71 000	MT	6.5	12 000	14.7	4 000
DK	7.2	210 000	14.5	65 000	NL	6.4	573 000	10.5	150 000
DE	5.4	2 291 000	7.6	344 000	AT	4.7	207 000	7.6	46 000
EE	9.4	66 000	21.9	15 000	PL	10.7	1 871 000	28.0	446 000
IE	14.1	301 000	30.3	65 000	PT	17.5	939 000	38.3	154 000
EL	27.0	1 320 000	62.5	186 000	RO	6.7	666 000	22.2	181 000
ES	26.7	6 080 000	55.9	960 000	SI	9.9	102 000	24.4	17 000
FR	11.0	3 254 000	26.5	773 000	SK	14.5	389 000	34.5	74 000
IT	11.5	2 950 000	38.4	631 000	FI	8.2	219 000	19.8	66 000
CY	14.2	63 000	32.3	14 000	SE	8.4	428 000	25.1	168 000
LV	14.3	150 000	24.8	25 000	UK	7.7	2 452 000	20.2	914 000

[*] March 2013 or latest available data
Source: European Commission

A more fundamental assessment is also needed of how to make the provision of education and training more transparent and efficient, how to achieve a better match between skills and available jobs and how to reinforce synergies between the different training providers. The share of early school leavers, particularly for people with a disadvantaged or migrant background, remains unacceptably high in several Member States and the provision of lifelong learning opportunities is sub-optimal. Early school leaving is above the EU average in MT, ES, PT, IT, RO and UK[9], while BG, RO, EL, HU and SK have the lowest participation rates in lifelong learning[10]. These problems existed before the crisis but are especially problematic now in view of the breadth of economic adjustments taking place, and the prospect of longer working lives. Skills mismatches and bottlenecks in many regions and sectors are a further illustration of the inadequacy of certain education and training systems.

Several Member States have initiated reforms of their vocational education and training systems to adapt skills and competences of young people to labour market needs. A number

9 See: http://ec.europa.eu/europe2020/pdf/themes/21_early_school_leaving.pdf
10 See: http://ec.europa.eu/europe2020/pdf/themes/22_quality_of_education_and_training.pdf

of Member States have established the bases for high quality apprenticeships and dual vocational training (EL, ES, IT, LV, PT, SK), although the process is still in initial phases and will need close involvement of social partners in order to be successful. Others have initiated reforms to increase the efficiency of their higher education systems to reduce drop-outs and to adapt them to labour market needs (AT, IT, PL) and increasingly use innovative performance based funding models to achieve these objectives (CZ, HU, SK, UK).

Young people have been particularly affected by the rise in unemployment. Important efforts have been initiated at EU level to support national and regional strategies (Box 5).

Box 5. Implementing the EU Youth Guarantee

Following a proposal from the Commission, Member States have agreed to put in place a Youth Guarantee to give every young person under the age of 25 a good-quality offer of employment, continued education, an apprenticeship or a traineeship within four months of becoming unemployed or leaving formal education.

Finland has launched a guarantee offering each young person under 25 (under 30 for recent graduates) a job, a traineeship, on-the-job training, a study place, or a period in a workshop or rehabilitation within 3 months of becoming unemployed. In Austria, a "Job and Training Guarantee" is in place for young people aged between 19 and 24. Unemployed young people are offered employment, targeted training or subsidised employment within the first six months of their registration with the public employment service. In Sweden, the approach is to empower the young registered unemployed, starting with three months of intensified support for job seeking, followed by an active matching process combined with an apprenticeship or further education.

The Commission has proposed and the European Council has agreed to launch a Youth Employment Initiative. This Initiative will make EUR 6 billion available during the next Multi-annual Financial period (2014 to 2020) to support young people not in employment, education or training (NEETs) in regions which have a youth unemployment rate of over 25%. The Initiative can play a key role in supporting the implementation of the Youth Guarantee.

The severe social impact of the crisis is causing poverty levels to rise in several Member States. Some are accelerating efforts to tackle poverty and social exclusion, but there is more to be done to strengthen social safety nets and enhance the adequacy and cost-effectiveness of benefits, including through better targeting, administrative simplification and greater take-up of rights. The long-term unemployed should be supported to reconnect with the labour market, and better links between social assistance and activation measures are essential to this effect.

Modernising public administration

The crisis has shown that weaknesses in public administration can impair the capacity of Member States to implement modern, reform oriented economic and social policies. From the need to overhaul certain public employment services to a lack of economic analytical capacity to design and implement structural reforms, to improve the management and increase low levels of absorption of EU structural funds, the need to modernise Member State public administrations is clear.

Modernising public administration requires strengthening strategic design and implementation: ministries and public authorities at national, regional and local levels should improve their capacities to define key challenges, identify the main priorities to address these challenges, assess the economic, social and environmental impact of interventions, and design appropriate action plans with clear milestones. However, an integrated approach is crucial: in order to avoid a proliferation of strategies on public administration reform, the development and implementation of such strategies should be closely coordinated across all relevant departments.

A modern public administration is an essential factor to underpin the design and delivery of policies promoting jobs, growth and competitiveness. The development of an SME friendly environment, for instance, requires i.a. a reduction of the administrative burden related to the establishment of new businesses and an administrative framework promoting innovation. This requires in turn strengthening the administrative capacity of the public authorities, and supporting online services and modern information infrastructures.

A skilled public administration workforce is important, particularly in times of crisis with its ensuing squeeze on public financing. What matters is not only the capacity to attract but also to retain good staff, thereby safeguarding the attractiveness of public administration. This requires first and foremost solid recruitment policies, promotion and career development schemes, the promotion of leadership, through inter alia learning and training.

Some Member States are reducing public sector employment and others are investing in e-government to increase efficiency and cost-effectiveness. The crisis has also revealed the negative economic impact of slow and outdated legal systems and the relevance of the quality, independence and efficiency of the judiciary for maintaining or regaining investor confidence. Some Member States are now taking steps to overhaul insolvency laws, to increase the efficiency of their court systems (Portugal and Spain) but in others (Malta, Romania, Italy, Slovakia, Hungary, Latvia and Bulgaria) the Commission has made recommendations for faster and more effective action and/or for measures to strengthen the independence of the judiciary. Efforts to reform tax administrations and legislation are also necessary to improve taxpayers' compliance and reduce administrative and compliance costs.

Box 6. Examples of recent measures to address tax compliance and improve the efficiency of tax administration

To improve tax compliance, countries are implementing both voluntary compliance measures and enforcement policies. The mix varies depending on national circumstances. BE has quadrupled the penalties for tax fraud and tax authorities have been granted increased access to personal data. BG introduced additional e-services and expanded the communication channels with the Information Centre of the National Revenue Agency, increasing the use of third party information. CZ continued working on streamlining the organisation of its tax authority (moving towards an Integrated Revenue Agency) and enhanced its risk management capacity by introducing the concept of "unreliable VAT taxpayer". IT on the one hand increased controls and made sanctions stricter, while at the same time increasing the information obligations for taxpayers. On the other hand, the country also took a certain number of simplification measures. LT enhanced its compliance strategy, increased the assistance provided to taxpayers while also boosting controls, in particular for cash-based transactions. SK has improved its risk management techniques with a focus on VAT fraud and took measures to fight evasion by mandating electronic payments above a certain limit.

4. CONCLUSION

The short-term economic outlook for Europe is still weak, but many of the actions now being taken by Member States are helping to move the EU beyond the crisis. Current account imbalances are being reduced in the euro area, and its current account is moving into surplus. Efforts to rebalance the economy must continue in all Member States: deficit countries need to boost their competitiveness, while surplus countries need to remove obstacles to the growth of their domestic demand.

Structural reforms should be pursued more intensively, as this is no ordinary cyclical downswing. But it often takes time before the benefits become concrete and, based on past experience, the employment situation will only react with a time lag. Active labour market policies are crucial, especially in combatting youth unemployment. The additional time proposed for fiscal consolidation for some Member States should be used for the implementation of ambitious structural reforms to increase adjustment capacity and boost growth and employment. Greater urgency is needed, including the acceleration of decisions and the mobilisation of funding at national level, to fight youth unemployment. The Youth Guarantee Scheme, proposed by the Commission and now adopted by the Member States, is an important element in this respect and should be activated rapidly at national level. Finalising agreement on the next multi annual financial framework, which will provide additional, dedicated funding for tackling youth unemployment, must also be a high priority.

Restoring the financial sector's ability to channel savings to their most productive uses will be important to boost investment levels particularly for southern Europe. All possible ways and means at the disposal of the EU institutions, including the European Investment Bank, should be geared to this effort, in particular with regard to SME access to finance. It is equally important for the EU economy to adopt and implement the Multi-annual Financial Framework 2014-2020. The Commission calls upon the European Parliament and the Council to reach agreement without delay. In parallel, Member States should accelerate their preparations for the next Multi-annual Financial Framework so that EU co-funding of investments and job support measures can be made available from the beginning of 2014 to support the implementation of the reforms called for in the country-specific recommendations. In parallel, rapid progress on the Banking Union is necessary to reinforce confidence. In the short term we need to ensure that banks' balance sheets are adequately capitalised to enable them to play their role in financial intermediation and to contribute to strengthening Europe's growth potential.

The European Semester process is now well established and is working to deliver more co-ordinated policy making across the EU. It takes the specificity of each country into account while at the same time developing synergies across countries, recognising the interdependence between members of the EU. For the 2013 exercise the Commission stepped up its political and technical contacts with Member States and many Member States made a greater effort to involve national parliaments, the social partners and civil society in developing and discussing their national reform programmes. National ownership of the reform process will be crucial to its succcess.

Europe is undertaking a wave of reforms which will enable new, sustainable and job-rich growth to emerge. We cannot lower our guard in responding to these challenges at national and at EU-level. Implementing structural reforms will be Europe's joint agenda for the coming months. Acting together at EU and national level we can move Europe beyond the current crisis and onto a path of smart, sustainable and inclusive growth.

ANNEX 1 - OVERVIEW OF COUNTRY-SPECIFIC RECOMMENDATIONS FOR 2013-2014

	Public finances				Financial sector		Structural reforms					Employment and social policies					
	Sound public finances	Pension and healthcare systems	Fiscal framework	Taxation	Banking and access to finance	Housing market	Network industries	Competition in service sector	Public administration and smart regulation	R&D and innovation	Resource efficiency	Labour market participation	Active labour market policy	Wage setting mechanisms	Labour market segmentation	Education	Poverty and social inclusion
AT	X	X	X	X	X		X	X	X			X				X	
BE	X	X	X	X			X	X	X		X	X	X	X		X	X
BG	X	X	X	X	X		X	X	X		X	X	X			X	X
CZ	X	X		X				X	X		X	X	X			X	
DE	X	X	X	X	X		X	X				X	X	X		X	
DK	X							X	X			X				X	
EE	X		X	X			X	X	X	X	X	X	X			X	
ES	X	X	X	X	X	X	X	X	X			X	X		X	X	X
FI	X	X	X					X	X	X	X	X	X	X		X	
FR	X	X	X	X			X	X	X			X	X	X	X	X	
HU	X		X	X	X		X	X	X	X		X	X			X	X
IT	X		X	X	X		X	X	X	X		X	X	X	X	X	
LT	X	X	X	X			X		X		X	X	X		X	X	X
LU	X	X	X	X						X	X	X	X	X		X	
LV	X		X	X			X		X	X	X	X	X			X	X
MT	X	X	X	X	X		X		X		X	X	X			X	
NL	X	X		X		X						X			X		
PL	X	X	X	X			X	X	X	X	X	X	X		X	X	X
RO	X	X		X	X		X	X	X	X		X	X			X	X
SE	X			X		X		X				X	X			X	
SI	X	X	X	X	X			X	X			X	X	X	X	X	
SK	X	X		X			X		X	X	X	X	X			X	
UK	X			X	X	X	X					X	X			X	X

Note: Commission's recommendations presented on 29 May 2013 for 2013-2014. Cyprus, Greece, Ireland and Portugal should implement commitments under EU/IMF financial assistance programmes. More information at : http://ec.europa.eu/europe2020/index_en.htm

ANNEX 2 – OVERVIEW OF EUROPE 2020 TARGETS[11]

*Countries that have expressed their national target in relation to an indicator different than the EU headline target indicator

Member States targets	Employment rate (in %)	R&D in % of GDP	Emissions reduction targets (compared to 2005 levels)[12]	Renewable energy	Energy efficiency[13]	Early school leaving in %	Tertiary education in %	Reduction of population at risk of poverty or social exclusion in number of persons
EU headline target	**75%**	**3%**	**-20% (compared to 1990 levels)**	**20%**	**20%**	**10%**	**40%**	**20,000,000**
Estimated EU	**73.70-74%**	**2.65-2.72%**	**-20% (compared to 1990 levels)**	**20%**	**n.a**	**10.3-10.5%**	**37.6-38.0%[14]**	
AT	77-78%	3.76%	-16%	34%	31.5	9.5%	38% (including ISCED 4a, which in 2010 was at about 12%)	235,000
BE	73.2%	3.0%	-15%	13%		9.5%	47%	380,000
BG	76%	1.5%	20%	16%		11%	36%	260, 000*
CY	75-77%	0.5%	-5%	13%	2.8	10%	46%	27,000
CZ	75%	1% (public sector only)	9%	13%		5.5%	32%	Maintaining the number of persons at risk of poverty or social exclusion at the level of 2008 (15.3% of total population) with efforts to reduce it by 30,000
DE	77%	3%	-14%	18%	251.0	<10%	42% (including ISCED4 which in 2010 was at 11.4%)	320, 000 (long-term unemployed)*
DK	80%	3%	-20%	30%	17.8	<10%	At least 40%	22,000 (persons living in households with very low work intensity)*
EE	76%	3%	11%	25%	6.5	9.5%	40%	61,860 people out of risk-of-poverty*
EL	70%	0.67%	-4%	18%	27.1	under 10%	32%	450,000

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11 The national targets as set out in the National Reform Programmes in April 2013.

12 The national emissions reduction targets defined in Decision 2009/406/EC (or "Effort Sharing Decision") concern the emissions not covered by the Emissions Trading System. The emissions covered by the Emissions Trading System will be reduced by 21% compared to 2005 levels. The corresponding overall emission reduction will be -20% compared to 1990 levels.

13 The Energy Efficiency Directive 2012/27/EU sets out in article 3(1)(a) that the European Union 2020 energy consumption has to be of no more than 1474 Mtoe primary energy or no more than 1078 Mtoe of final energy. All but two Member States (the Czech Republic and Luxembourg) have set their targets by 30 April 2013, but not all expressed these targets in primary and final energy level as requested by the Directive. This explains why data for some Member States and the EU level estimate are missing. This table only reports on primary energy consumption levels in 2020 expressed in Mtoe. '*' indicates that the target is preliminary.

14 Calculation does not include ISCED 4 (Germany, Austria).

ES	74%	2%	-10%	20%	121.6	15%	44%	1,400,000-1,500,000
FI	78%	4%	-16%	38%	35.9	8%	42% (narrow national definition)	150,000
FR	75%	3%	-14%	23%	236.3	9.5%	50%	No new target for the time being (the target was valid until 2012) *
HU	75%	1.8%	10%	14.65%	26.6	10%	30.3%	450,000
IE	69-71%	approx.2%-2.5% of GNP	-20%	16%	13.9	8%	60%	200,000*
IT	67-69%	1.53%	-13%	17%	158.0	15-16%	26-27%	2,200,000
LT	72.8%	1.9%	15%	23%		<9%	40%	170,000
LU	73%	2.3-2.6%	-20%	11%		<10%	66%	6,000
LV	73%	1.5%	17%	40%	5.23*	13.4%	34-36%	121,000*
MT	62.9%	0.67%	5%	10%	0.825	29%	33%	6,560
NL	80 %	2,5 %	-16%	14%	.	<8 %	>40% 45% expected in 2020	93,000*
PL	71%	1.7%	14%	15.48%	96.4	4.5%	45%	1,500,000
PT	75%	3%	1%	31%	22.5	10%	40%	200,000
RO	70%	2%	19%	24%		11.3%	26.7%	580,000
SE	Well over 80%	Approx. 4%	-17%	49%	36.7-66.0	<10%	40-45%	Reduction of the % of women and men who are not in the labour force (except full-time students), the long-term unemployed or those on long-term sick leave to well under 14% by 2020*
SI	75%	3%	4%	25%		5%	40%	40,000
SK	72%	1.2%	13%	14%	16.2	6%	40%	170,000
UK	No target in NRP	No target in NRP	-16%	15%	177.6.	No target in NRP	No target in NRP	Existing numerical targets of the 2010 Child Poverty Act*
***HR*[15]**	*59%*	*1.4%*	*+26%*	*20%*		*4%*	*35%*	*100,000*

[15] Croatia submitted a list of preliminary national 2020 targets. Given their preliminary nature, they are not included in the EU-wide estimates.