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NOTE

From:	General Secretariat of the Council
To:	Permanent Representatives Committee (part 2)/Council
Subject:	In-depth reviews and implementation of the 2015 Country Specific Recommendations - Draft Ecofin Council conclusions

Delegations will find attached the draft Council conclusions on in-depth reviews and implementation of the 2015 Country Specific Recommendations, as agreed by the Economic and Financial Committee held on 12-13 May 2016.

Draft Ecofin Council conclusions on in-depth reviews and implementation of the 2015 Country Specific Recommendations

The Council (ECOFIN):

1. WELCOMES the publication of the Commission's country reports analysing the economic policies for each of the Member States, including the in-depth reviews (IDRs) in the context of the Macroeconomic Imbalances Procedure (MIP), as well as the accompanying Communication summarising the main results of the IDRs.

I - IN-DEPTH REVIEWS

2. CONSIDERS that the IDRs are well structured as a key part within the country reports and NOTES the importance of presenting a thorough analysis of the imbalances in each of the Member States under review as the basis for multilateral surveillance, enhanced domestic ownership of reforms and effective policy adjustment. RECOGNISES that the analysis covers possible spillover effects to other countries and the euro area where relevant, differentiates between the adjustments driven by cyclical factors and those resulting from structural changes, and takes country-specific circumstances into account. Relevant analytical tools are also applied in view of the specific challenges of each economy and complemented by qualitative analysis where needed.

3. WELCOMES the Commission's effort to improve the transparency of the MIP, including streamlining and stabilisation of the categories of macroeconomic imbalances, the publication of a compendium bringing together relevant information on the implementation of the MIP, and the inclusion of new summary tables in the IDRs (MIP assessment matrices). NOTES Commission's plans with regard to specific monitoring of recommendations by the Council to all Member States concerned by imbalances and excessive imbalances, to ensure enhanced surveillance of the policy response to the imbalances identified. INVITES the Commission to outline a proposal for the concrete timing and content of this monitoring, including plans to differentiate with respect to the severity of imbalances, as well as the articulation with other surveillance procedures, notably post programme surveillance for countries concerned to avoid duplication and in line with established practice. EMPHASISES the importance of efficiency, transparency and predictability in assessing macroeconomic imbalances in the MIP. In light of this, UNDERLINES the importance of presenting both the country analysis and the conclusions on the assessment of imbalances together in line with the European Semester Roadmap.

4. AGREES that 13 of the examined Member States (Bulgaria, Germany, Ireland, Spain, France, Croatia, Italy, Cyprus, the Netherlands, Portugal, Slovenia, Finland and Sweden) are experiencing macroeconomic imbalances of various nature and magnitude.

5. AGREES with the view of the Commission that excessive imbalances exist in 6 Member States (Bulgaria, France, Croatia, Italy, Cyprus, and Portugal). The Council will carefully assess the Commission's further review for Croatia and Portugal presented in late May, which should take into account the policy measures outlined in their National Reform Programmes to assess whether further steps are needed. UNDERLINES that the MIP procedure should be used to its full potential, with the corrective arm applied where appropriate.

6. AGREES that 6 of the examined Member States (Belgium, Estonia, Hungary, Austria, Romania and the UK) do not experience macroeconomic imbalances in the sense of the MIP.

7. UNDERLINES the continued need for policy action and strong commitment to structural reforms in all Member States, in particular when they face macroeconomic imbalances affecting the smooth functioning of EMU. Imbalances should be addressed in a durable manner focusing on key challenges, reducing risks, facilitating the rebalancing of the EU economies and creating conditions for sustainable growth and jobs.

8. RECOGNISES the continued progress achieved by Member States in correcting their external and internal imbalances, thus contributing to the rebalancing in the EU and within the euro area. However, UNDERLINES that there are still sizeable risks in certain Member States. While current account deficitis of the pre-crisis period have been considerably reduced or have moved to surplus, large stocks of external liabilities remain a vulnerability in some net debtor countries. ACKNOWLEDGES that cost competitiveness has generally improved in countries that exhibited large external deficits, with more limited evidence pointing to improvements in non-cost competitiveness. At the same time, elevated current account surpluses in some Member States with relatively low deleveraging needs persist and could under some circumstances indicate large savings and investment imbalances deserving progress on policy actions.

9. UNDERLINES that high levels of private and government debt remain an important challenge in a number of Member States in the context of low inflation and growth rates. Despite notable progress, further structural reforms are needed to enhance the growth potential and to tackle high unemployment, in particular among the youth and long-term unemployed.

II – IMPLEMENTATION OF COUNTRY SPECIFIC RECOMMENDATIONS (CSRs)

10. WELCOMES progress made in addressing the 2015 CSRs. The streamlined set of 2015 CSRs allowed for greater focus on tackling pressing challenges and persistent macroeconomic imbalances. TAKES NOTE that reform implementation has been uneven across policy areas and countries and that in only a few cases has substantial progress been made in addressing the CSRs. STRESSES that reform implementation needs to be stepped up to address the policy challenges outlined below and RECALLS the importance of a timely assessment of the implementation of CSRs in the Council prior to the proposal of new CSRs, in order to draw conclusions, increase national awareness and implement reforms effectively in each country.

11. STRESSES that further structural reforms to services, product and labour markets, alongside responsible, sound fiscal policies are needed to strengthen and sustain the economic recovery, correct harmful imbalances, achieve fiscal sustainability, improve the conditions for investment, and reinforce the single market, unleashing the growth potential of Member States' economies.

12. RECOGNISES the progress made by Member States in implementing CSRs in the areas of improving the business environment and in fighting against tax avoidance and improving its administration. Member states concerned should continue their efforts. STRESSES that more progress could be achieved in generating a business and employment friendly regulatory environment, increasing female labour force participation, cutting red tape, strengthening both administrative efficiency and regulatory quality, and reducing the number of restrictions in the service sector, particularly by making it significantly easier for service providers to operate across borders. Progress in addressing existing gaps and weaknesses in some national fiscal frameworks has been made but are still limited in some Member States, and efforts should focus on ensuring their effective functioning to support the conduct of responsible fiscal policies. National fiscal frameworks should be brought in line with EU requirements.

13. AGREES that there is an urgent need to improve investment conditions in order to attract increased private investment in the real economy and ensure high quality public investment and infrastructures. Reform progress has been slow in tackling problems regarding sector specific regulation and other impediments to investment and in reforming public administration, judicial systems, insolvency frameworks and the business environment, including access to finance. Despite some progress, barriers to investment persist in some key sectors in many Member States. This is particularly the case for services, network industries and construction.

14. WELCOMES progress in reforming labour markets, but notes that significant challenges and implementation gaps remain. There remains potential to broaden tax bases and reduce the tax burden on labour. The successful integration of migrants and refugees in some Member States requires particular attention. While progress has been made in bringing back to the labour market the unemployed, further structural reforms to support employment and active labour market policies are needed.