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EDUC 190  
RECH 178  
ENER 225  
JAI 385  
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**NOTE**

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From:	General Secretariat of the Council
To:	Permanent Representatives Committee/Council
Subject:	Explanations of modifications to Commission Recommendations for the Country Specific Recommendations

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Delegations will find attached the explanations of modifications to Commission Recommendations for the Country Specific Recommendations per Member State (Commission Recommendations for Council Recommendations on Member States' 2015 national reform programmes and delivering a Council opinion on Member States' stability and convergence programmes).

This note follows from Article 2-ab(2) of Regulation (EU) No. 1175/2011 of the European Parliament and the Council: the Council is expected to, as a rule, follow the Recommendations and proposals of the Commission or explain its position publicly with a view to ensure greater transparency and accountability in the process of multilateral surveillance and the results of the Country Specific Recommendations in the context of the European Semester.

## **Explanatory note**

*- Accompanying document to Council Recommendations to Member States under the European semester 2015 -*

Article 2-ab)(2) of Regulation 1466/97 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies, which makes part of the section on "Economic dialogue", states that "*The Council is respected to, as a rule, follow the recommendations and proposals of the Commission or explain its position publicly*".

In respect of this "comply or explain rule", the Council hereby presents the following explanations to changes agreed to Commission Recommendations for Country-Specific Recommendations (CSRs) on Member States in the context of the 2015 European semester and on which the Commission is in disagreement.

The Council has also agreed to a number of additions as well as factual or technical changes to recommendations with the full support of the Commission.

### **GERMANY**

#### **CSR 1**

Commission text:

*Further increase public investment in infrastructure, education and research, including by using the available fiscal space.*

Agreed text:

Further increase public investment in infrastructure, education and research.

Explanation:

It was agreed that that the change would not alter in a substantive way the country recommendation, while it avoids reference to a concept (i.e. fiscal space) that is not defined in the SGP.

### CSR 2

Commission text:

*Take measures to increase the cost-effectiveness of the healthcare system, including by reducing spending on patented medicines and gradually implementing adequate prescription practices. Roll out activity-based funding throughout the health system.*

Agreed text:

Take measures to increase the cost-effectiveness of the healthcare system, including by reducing spending on patented medicines and gradually implementing adequate prescription practices. Roll out activity-based funding throughout the public hospital system.

Explanation:

The wording of the original recommendation implies that the roll-out of Activity-Based Funding (ABF) is expected to be fully implemented across the entire Irish health system in the short term. ABF is a major change in the way hospitals are funded and only commenced in 2014 on a phased basis. It is initially focused, in phase 1, on inpatient and day case activity in 38 public hospitals. It would clearly not be feasible to cover the entire "health system" as envisaged in the time period covered by the CSR. There is an ABF implementation plan 2015-17 in place to roll out implementation across the health system. The Commission acknowledges this in its country report when it says that the ABF rollout 'will take some years to complete'." Further to that, the conclusions from the Social Protection Committee multilateral surveillance also note that a full switch to activity-based funding is a multi-year project.

## **ITALY**

### **CSR 2**

Commission text:

*Adopt the legislative decrees on the use of wage supplementation schemes, the revision of contractual arrangements, work-life balance and the strengthening of active labour market policies. Establish, in consultation with the social partners and in accordance with national practices, an effective framework for second-level contractual bargaining. As part of efforts to tackle youth unemployment, adopt and implement the planned school reform and expand vocationally-oriented tertiary education.*

Agreed text:

Adopt the legislative decrees on the design and use of wage supplementation schemes, the revision of contractual arrangements, work-life balance and the strengthening of active labour market policies. Promote, in consultation with the social partners and in accordance with national practices, an effective framework for second-level contractual bargaining. As part of efforts to tackle youth unemployment, adopt and implement the planned school reform and expand vocationally-oriented tertiary education.

Explanation:

In Italy, the bargaining framework setting is under the remit of social partners, which autonomously agree on general as well as specific regulations.

## **FRANCE**

### **CSR 2**

Commission text:

*Step up efforts to make the spending review effective, and identify savings opportunities across all sub-sectors of general government, including on social security and local government*

Agreed text:

Step up efforts to make the spending review effective, continue public policy evaluations and identify savings opportunities across all sub-sectors of general government, including on social security and local government.

Explanation:

It was agreed that public policy evaluations complement the spending review in contributing to greater efficiency in government spending.

**LATVIA**

**CSR2**

Commission text:

*Improve vocational education and training, speed up the curricula reform and increase the offer of apprenticeships. Ensure that the new financing model of the higher education system rewards quality. Better target research financing and incentivise private investment in innovation on the basis on of the Smart Specialisation Framework.*

Agreed text:

Improve vocational education and training, speed up the curricula reform and increase the offer for work-based learning. Ensure that the new financing model of the higher education system rewards quality. Better target research financing and incentivise private investment in innovation on the basis of the Smart Specialisation Framework.

Explanation:

In Latvia the apprenticeship system exists on a small scale primarily in the crafts sector which is stipulated by a specific Law on Crafts. Traditionally for the apprenticeship is that apprentice is contracted by the employer. While the reforms are in the vocational education sector inter alia to increase the work-based component, and is governed by the Law on Vocational Education.

## **MALTA**

### **CSR 3**

Commission text:

*Accelerate the increase in the statutory retirement age and link it to life expectancy.*

Agreed text:

To ensure the long-term sustainability of public finances, continue the ongoing pension reform, such as by accelerating the already enacted increase in the statutory retirement age and by consecutively linking it to changes in life expectancy.

Explanation:

Malta remains committed to continue with a holistic pension reform process as a matter of priority taking into consideration the outcome of the forthcoming public consultation as indicated in the 2015 National Reform Programme. While Malta agrees with the aim of ensuring long-term sustainability, more latitude is required in relation to measures to achieve it as prescriptions will be counterproductive as they would stifle rather than enable the pension reform to continue to move forward. The proposed amendment is in line with the language contained in the 2014 CSR, which provided a measure of discretion as opposed to the overly prescriptive language being proposed in the 2015 CSR.

## **THE NETHERLANDS**

### **CSR 2**

Commission text:

*Accelerate the decrease in mortgage interest tax deductibility so that tax incentives to invest in unproductive assets are reduced. Provide for a more market-oriented pricing mechanism in the rental market and further relate rents to household income in the social housing sector.*

Agreed text:

With the strengthening of the recovery, accelerate the decrease in mortgage interest tax deductibility so that tax incentives to invest in unproductive assets are reduced. Provide for a more market-oriented pricing mechanism in the rental market and further relate rents to household income in the social housing sector.

Explanation:

It was agreed that acceleration of the reform to mortgage interest deductibility continue to pose risks in the current economic circumstances, notably with more than 900.000 households having a negative home equity position (higher mortgage loan than value of their house) and given the significant regional differences. A reference to the economic recovery in which such reforms would take place was therefore considered particularly relevant in this recommendation.

**FINLAND**

**CSR 3**

Commission text:

*Pursue efforts to improve the employability of young people, older workers and the long-term unemployed, focusing particularly on developing job-relevant skills. Ensure, in consultation with the social partners and in accordance with national practices, that wages evolve in line with productivity.*

Agreed text:

Pursue efforts to improve the employability of young people, older workers and the long-term unemployed, focusing particularly on developing job-relevant skills. Promote wage developments in line with productivity fully respecting the role of the social partners and in accordance with national practices.

Explanation:

In Finland Social Partners have exclusive competence for wage setting and the Government can only promote wage developments.