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#### COVER NOTE

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From: Secretary-General of the European Commission, signed by Ms Martine DEPREZ, Director

date of receipt: 3 June 2026

To: Ms Thérèse BLANCHET, Secretary-General of the Council of the European Union

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No. Cion doc.: COM(2026) 210 final

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Subject: Recommendation for a COUNCIL RECOMMENDATION on the economic, social, employment, structural and budgetary policies of France

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Delegations will find attached document COM(2026) 210 final.

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Encl.: COM(2026) 210 final



Brussels, 3.6.2026  
COM(2026) 210 final

Recommendation for a

**COUNCIL RECOMMENDATION**

**on the economic, social, employment, structural and budgetary policies of France**

{SWD(2026) 210 final}

Recommendation for a

## COUNCIL RECOMMENDATION

**on the economic, social, employment, structural and budgetary policies of France**

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 121(2) and Article 148(4) thereof,

Having regard to Regulation (EU) 2024/1263 of the European Parliament and of the Council of 29 April 2024 on the effective coordination of economic policies and on multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97 <sup>(1)</sup>, and in particular Article 3(3) thereof,

Having regard to the recommendation of the European Commission,

Having regard to the resolutions of the European Parliament,

Having regard to the conclusions of the European Council,

Having regard to the opinion of the Employment Committee,

Having regard to the opinion of the Economic and Financial Committee,

Having regard to the opinion of the Social Protection Committee,

Having regard to the opinion of the Economic Policy Committee,

Whereas:

- (1) Regulation (EU) 2024/1263 specifies the objectives of the economic governance framework, which aims at promoting sound and sustainable public finances, sustainable and inclusive growth and resilience through reforms and investments, as well as preventing excessive government deficits. The Regulation stipulates that the Council and the Commission conduct multilateral surveillance in the context of the European Semester in accordance with the objectives and requirements set out in the Treaty on the Functioning of the European Union (TFEU). The European Semester includes, in particular, the formulation and the surveillance of the implementation of country-specific recommendations.
- (2) On 16 July 2025, the Commission adopted its proposal for a regulation establishing the European Fund for economic, social and territorial cohesion, agriculture and rural, fisheries and maritime, prosperity and security for the period 2028-2034 and amending

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<sup>1</sup> Regulation (EU) 2024/1263 of the European Parliament and of the Council of 29 April 2024 on the effective coordination of economic policies and on multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97 (OJ L, 2024/1263, 30.4.2024, ELI: <http://data.europa.eu/eli/reg/2024/1263/oj>).

Regulation (EU) 2023/955 and Regulation (EU, Euratom) 2024/2509 <sup>(2)</sup>. The proposal aims to increase the effectiveness of Union funding by reducing the fragmentation of the financial architecture and to support Member States' in the coordination of their economic policy in line with Article 175 of the TFEU.

- (3) On 25 November 2025, the Commission adopted an opinion on the 2026 draft budgetary plan of France. On the same date, on the basis of Regulation (EU) No 1176/2011, the Commission adopted the 2026 Alert Mechanism Report, in which it did not identify France as one of the Member States for which an in-depth review would be needed. The Commission also adopted a recommendation for a Council recommendation on the economic policy of the euro area, a recommendation for a Council recommendation on human capital in the European Union, and a proposal for the 2026 Joint Employment Report, which analyses the implementation of the Employment Guidelines and the principles of the European Pillar of Social Rights. The Council adopted the Recommendation on the economic policy of the euro area <sup>(3)</sup> on 21 April 2026, and the Joint Employment Report, and the Recommendation on human capital on 9 March 2026.
- (4) On 29 January 2025, the Commission published the Competitiveness Compass, a strategic framework that aims to boost the Union's global competitiveness over the next five years. It identifies the three transformational imperatives of innovation, decarbonisation and competitiveness, and security as critical pillars for sustainable economic growth. The European Semester is aligned with the Competitiveness Compass, ensuring that Member States' economic policies are consistent with the Commission's strategic objectives, creating a unified approach to economic governance that fosters sustainable growth, innovation and resilience across the Union.
- (5) In 2026, the European Semester for economic policy coordination continues to develop alongside the final stage of the Recovery and Resilience Facility (RRF) <sup>(4)</sup>. Recovery and resilience plans (RRPs), along with cohesion policy funding, have been essential for delivering on the policy priorities under the European Semester, as the plans were required to effectively address all or a significant subset of challenges identified in the relevant country-specific recommendations issued in recent cycles, and programmes funded by the European cohesion policy were required to take country-specific recommendations into account. As the RRF approaches the end of its lifetime, it remains essential to sustain the reforms and investments supported and implemented under it the RRF, in particular those that contribute to addressing challenges identified in the country-specific recommendations.
- (6) On 3 June 2026, the Commission published the 2026 country report for France. It assessed France's progress in addressing the relevant country-specific recommendations and took stock of France's implementation of the RRP. On the basis

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<sup>2</sup> Proposal for a Regulation of the European Parliament and of the Council establishing the European Fund for economic, social and territorial cohesion, agriculture and rural, fisheries and maritime, prosperity and security for the period 2028-2034 and amending Regulation (EU) 2023/955 and Regulation (EU, Euratom) 2024/2509 - COM(2025) 565 final. The proposed Regulation is currently the subject of negotiations with the co-legislators.

<sup>3</sup> OJ C, C/2026/2434, 28.4.2026, ELI: <http://data.europa.eu/eli/C/2026/2434/oj>

<sup>4</sup> Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility (OJ L 57, 18.2.2021, p. 17, ELI: <http://data.europa.eu/eli/reg/2021/241/oj>).

of that analysis, the country report identified the most pressing challenges France is facing. It also assessed France's progress in implementing the European Pillar of Social Rights and in achieving the Union headline targets on employment, skills and poverty reduction, as well as progress in achieving the United Nations Sustainable Development Goals.

- (7) On 21 January 2025, the Council, upon the assessment and recommendation of the Commission, adopted a Recommendation endorsing the national medium-term fiscal-structural plan of France <sup>(5)</sup>. The plan covers the period from 2025 until 2029 and presents a fiscal adjustment spread over seven years. The Council recommended the following maximum growth rates of net expenditure: 0.8% in 2025, 1.2% in 2026, 1.2% in 2027, 1.2% in 2028 and 1.1% in 2029, which correspond to the maximum cumulative growth rates calculated by reference to the base year of 2023 of 4.6% in 2025, 5.8% in 2026, 7.1% in 2027, 8.4% in 2028 and 9.5% in 2029. For the years 2025-2029, these maximum growth rates of net expenditure coincide with the corrective path, as recommended by the Council under Article 126(7) TFEU on 21 January 2025, with a view to bringing an end to the situation of an excessive deficit <sup>(6)</sup>. Based on the Commission's assessment on effective action of 3 June 2026 <sup>(7)</sup>, the excessive deficit procedure for France is held in abeyance.
- (8) Russia's war of aggression against Ukraine and its repercussions constitute an existential challenge for the European Union. The Commission has invited Member States to request the activation of the national escape clause of the Stability and Growth Pact in a coordinated manner to support the EU efforts to achieve a rapid and significant increase in defence spending <sup>(8)</sup> and this proposal was welcomed by the European Council of 6 March 2025. Member States may still request the activation of the national escape clause at any time until 2028, if they fulfil the criteria set in Article 26 of Regulation (EU) 2024/1263.
- (9) On 7 May 2026, France submitted its 2026 Annual Progress Report <sup>(9)</sup> on adherence to the recommended maximum growth rates of net expenditure, the implementation of the set of reforms and investments underpinning the extension of the adjustment period and the implementation of reforms and investments responding to the main challenges identified in the European Semester country-specific recommendations. The Annual Progress Report also reflects France's biannual reporting on the progress made in implementing its recovery and resilience plan in accordance with Article 27 of Regulation (EU) 2021/241. The report on action taken under the excessive deficit procedure is integrated in the Annual Progress Report.

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<sup>5</sup> Council Recommendation of 21 January 2025 endorsing the national medium-term fiscal-structural plan of France (OJ C, C/2025/659, 10.02.2025, ELI: <http://data.europa.eu/eli/C/2025/659/oj>.

<sup>6</sup> Council Recommendation with a view to bringing an end to the situation of an excessive deficit in France, adopted on 21 January 2025. All documents related to the excessive deficit procedure of France can be found at: [https://economy-finance.ec.europa.eu/economic-governance-framework/stability-and-growth-pact/corrective-arm-excessive-deficit-procedure/excessive-deficit-procedures-overview/france\\_en](https://economy-finance.ec.europa.eu/economic-governance-framework/stability-and-growth-pact/corrective-arm-excessive-deficit-procedure/excessive-deficit-procedures-overview/france_en).

<sup>7</sup> Communication from the Commission to the European Parliament, the Council, the European Central Bank, the European Economic and Social Committee, the Committee of Regions and the European Investment Bank, 2026 European Semester – Spring Package, COM(2026) 302 final.

<sup>8</sup> Communication from the Commission, 'Accommodating increased defence expenditure within the Stability and Growth Pact', Brussels, 19.3.2025, C(2025) 2000 final.0

<sup>9</sup> The 2026 Annual Progress Reports are available on: [https://economy-finance.ec.europa.eu/economic-and-fiscal-governance/stability-and-growth-pact/preventive-arm/annual-progress-reports\\_en](https://economy-finance.ec.europa.eu/economic-and-fiscal-governance/stability-and-growth-pact/preventive-arm/annual-progress-reports_en).

- (10) Real GDP growth in 2025 was 0.8% and HICP inflation stood at 0.9%. The Commission Spring 2026 Forecast projects real GDP to grow by 0.8% in 2026 and 1.1% in 2027, and HICP inflation to stand at 2.4% in 2026 and 1.8% in 2027.
- (11) Based on data provided by Eurostat <sup>(10)</sup>, France's general government deficit decreased from 5.8% of GDP in 2024 to 5.1% of GDP in 2025. The decrease in the deficit in 2025 mainly reflects revenue-increasing measures of around 0.5% of GDP and expenditure-decreasing measures, mainly on public consumption and social transfers, worth almost 0.3% of GDP, as well as tax revenues growing above nominal GDP. This dynamism of revenues mainly stemmed from indirect and corporate taxes. These factors more than offset the 0.2 pp. increase in interest payments on government debt, driven by higher debt and higher interest rates on new bond issuances. Based on policy measures known by the cut-off date of the forecast, the Commission Spring 2026 Forecast projects a deficit of 5.1% of GDP in 2026 and 5.7% of GDP in 2027. The unchanged deficit in 2026 is due to a number of factors. On the one hand, it reflects revenue-increasing measures worth 0.5% of GDP (of which 0.3% of GDP are temporary) which include, among others, the extension of the exceptional contribution by large enterprises, the top-up tax on high revenues and the increase of the generalized social contribution (CSG) on financial revenues, as well as the retrenchment efforts in expenditure endowments to the different ministries and public administrations set out in the 2026 budget. On the other hand, excluding the effect of these measures, tax receipts are expected to grow slightly below economic activity. Moreover, apart from its negative impact on growth, the conflict in the Middle East is set to entail an additional direct budgetary impact of 0.2% of GDP linked to a higher interest burden on inflation-indexed bonds (0.1% of GDP), lower revenues due to the indexation of social security exemptions linked to the minimum wage and higher military expenditure on missions in that area. This impact is set to be broadly offset by additional expenditure savings announced in April. The increase of the deficit in 2027 mainly reflects the phasing out of temporary revenue measures in 2026 worth 0.3% of GDP.
- (12) Based on the Commission's estimates, the fiscal stance <sup>(11)</sup>, which includes both nationally and EU financed expenditure, was contractionary, by 0.9% of GDP, in 2025. It is projected to be contractionary, by 0.9% of GDP, in 2026, and expansionary, by 0.3% of GDP, in 2027.
- (13) Based on data provided by Eurostat <sup>(12)</sup>, France's general government debt increased from 112.6% of GDP at the end of 2024 to 115.6% of GDP at the end of 2025. The increase in the debt ratio in 2025 mainly reflects high primary deficits and rising interest payments, which more than offset the debt-reducing effect of nominal growth. Based on policy measures known at the cut-off date of the forecast, the Commission Spring 2026 Forecast projects the debt-to-GDP ratio to increase to 118.1% by the end of 2026 and to further increase to 120.2% by the end of 2027. The increases in 2026 and 2027 mainly reflect the same factors as in 2025.

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<sup>10</sup> Eurostat-Euro Indicators, 22.04.2026.

<sup>11</sup> The fiscal stance is defined as a measure of the annual change in the underlying budgetary position of the general government. It aims to assess the economic impulse stemming from fiscal policies, both those that are nationally financed and those that are financed by the EU budget. The fiscal stance is measured as the difference between (i) the medium-term potential growth and (ii) the change in primary expenditure net of discretionary revenue measures and including expenditure financed by non-repayable support (grants) from the Recovery and Resilience Facility and other Union funds.

<sup>12</sup> Eurostat-Euro Indicators, 22.04.2026.

- (14) Based on Eurostat data <sup>(13)</sup>, total general government defence expenditure in France amounted to 1.9% of GDP in 2025. According to the Commission Spring 2026 Forecast, it is projected at 2.1% of GDP in 2026.
- (15) The Union continues to face risks of energy supply disruptions and elevated price volatility, exacerbated by geopolitical tensions which affect global oil and gas markets. Experience from the 2022–2023 energy crisis has shown that broad and untargeted measures entail large fiscal costs and are socially and economically inefficient. Since the outbreak of the war in the Middle East in February 2026, France adopted a number of targeted fiscal policy measures to mitigate the impact of high energy prices on households and firms <sup>(14)</sup>. These include the reimbursement corresponding to an estimated cost of EUR 20 cents per litre of fuel prices for micro enterprises and SMEs in the public transport sector, fisheries (increased in this case in May), and construction and public work companies in April and May; an equivalent reimbursement for low-income workers for the professional use of private vehicles between April and June; the reimbursement for farmers of excise duties on off-road diesel of EUR 4 cents per litre in April, raised in May to EUR 15 cents per litre; and the exceptional defrayal of social security contributions for most affected farmers in April. In principle, these measures are set to be phased out in June 2026 and their cost factored in the Commission Spring 2026 Forecast amounts to less than 0.1% of GDP. According to Commission estimates, if these measures were to remain in force until end-2026, their fiscal cost would remain below 0.1% of GDP in 2026.
- (16) Based on the Commission’s calculations, net expenditure in France grew by 0.7% in 2025 and 4.0% cumulatively in 2024 and 2025. The net expenditure growth in 2025 is below the recommended maximum growth rate. When considering 2024 and 2025 together, the cumulative growth rate of net expenditure is also below the recommended maximum growth rate.
- (17) Based on the Commission’s calculations, net expenditure in France is projected to grow by 1.4% in 2026, and 5.4% cumulatively over 2024, 2025 and 2026. The projected net expenditure growth in 2026 is above the recommended maximum growth rate, corresponding to a deviation of 0.1% of GDP in annual terms. When considering 2024, 2025 and 2026 together, the projected cumulative growth rate of net expenditure is below the recommended maximum growth rate.
- (18) The recommendation endorsing the medium-term plan of France specifies the set of reforms and investments underpinning the extension of the adjustment period, together with a timeline for their implementation. Taking into account the information provided by France in its Annual Progress Report, the Commission finds that the implementation of the key steps of these reforms and investments that were due by 30 April 2026 seems to be broadly on track. However, the recasting of the exemptions of social security contributions around the minimum salary have yielded lower savings than committed. The Commission considers that, overall, France has complied with its commitments in a satisfactory manner. Looking ahead, the 2023 pension reform has been suspended until January 2028 <sup>(15)</sup>.

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<sup>13</sup> Eurostat, government expenditure by classification of functions of government (COFOG).

<sup>14</sup> This reflects the situation at the cut-off date of the Commission’s Spring 2026 Forecast (4 May 2026).

<sup>15</sup> Communication from the Commission to the European Parliament, the Council, the European Central Bank, the European Economic and Social Committee, the Committee of Regions and the European Investment Bank, 2026 European Semester – Spring Package, COM(2026) 200 final.

- (19) France continues to face high fiscal sustainability risks in the medium term and medium sustainability risks in the long term. A comprehensive and consistent fiscal strategy on both the revenue and expenditure sides is needed to boost potential growth and to bring public debt on a downward path to ensure its sustainability. At 57.2% of GDP in 2025, France's public expenditure remained the second highest in the EU, and 7.7 percentage points above the EU average. The Commission Spring 2026 Forecast projects this gap to remain around 7 percentage points in 2026. Persistently high public expenditure in France raises efficiency concerns, while also requiring a high overall tax burden, which in turn weighs on economic efficiency. As a result, lasting fiscal consolidation in France calls for decisive action on public spending, in terms of its level, composition and overall efficiency. To this end, enhanced saving commitments with respect to those in the French medium-term fiscal-structural Plan are needed. A consistent and effective strategy to permanently reduce public spending while enhancing its quality needs to systematically rely on ambitious and comprehensive spending reviews at the core of the budgetary process consistent with the medium-term priorities. Apart from contributing to fiscal consolidation, this would strengthen France's growth potential by helping channel public resources to more growth-friendly policies.
- (20) At 14.6% of GDP in 2023, public pension expenditure in France is relatively high. According to the 2024 Ageing Report, the old-age dependency ratio is projected to increase significantly in the coming decades, rising from 38.2% in 2022 to 53.2% in 2050 and 57.8% in 2070. In turn, the effective retirement age is low, at 62.2 in 2022. Among other elements, the 2023 pension reform contributed to improving the sustainability of the public finances by speeding up the increase of the required contribution period to receive a full pension and by gradually increasing the minimum retirement age, to boost employment and potential growth. In its medium-term fiscal-structural Plan France committed to preserve the impact of the 2023 pension reform on the financial sustainability of the system over the period 2026-2040. However, in December 2025 the reform was suspended until January 2028. This suspension entails a worsening of the general government budget balance until the mid-2030s, a public debt increase and a dampening of the positive labour market effects of the reform, whereas the challenges referred to earlier remain still very significant.
- (21) The tax burden in France remains significantly higher than the EU average. In 2025, tax revenues in France represented 44.3% of GDP, against 39.9% for the EU-27 on average, with the implicit tax rate on labour and taxes on labour borne by employers also being among the highest in the EU. At 4.4% of GDP in 2024, taxes on production, which are especially detrimental to growth, are well above the EU average (2.4% of GDP) too, which weighs on competitiveness. Specifically, production taxes, namely on total wage bill and payroll, and on land, buildings and other structures, are above the EU average. However, consumption taxes are relatively low, despite being less distortive. At the same time, the numerous fiscal and social tax expenditures increase the complexity of the tax system, bring about significant allocative efficiency losses and imply a heavy budgetary burden (of almost 6% of GDP in 2025). A more growth-friendly tax mix would call for a comprehensive fiscal strategy aimed to enhance potential growth and the overall efficiency of the tax system, while supporting fiscal consolidation. Reducing the tax burden on labour (including social security contributions) and productive capital, while raising consumption taxes, including environmental taxes, could help reduce the economic distortions and support competitiveness and growth. Moreover, reducing and rationalising fiscal and social tax

expenditures would contribute to broadening tax bases, thereby helping to avoid increases in statutory rates.

- (22) The level of administrative complexity in France is high. The coexistence of many administrative layers involves complex financial relationships across different levels of government and overlapping competences. These bring about redundant coordination costs, without necessarily improving the quality of public services provided. Reducing administrative complexity and clarifying competences and financial responsibilities across the different levels of government would help the effective steering of expenditure and revenues, in line with budgetary commitments. This would increase the overall efficiency and quality of public expenditure, while underpinning fiscal consolidation.
- (23) Regional disparities in public services persist, such as healthcare (notably in ‘medical deserts’), education, mobility, and housing, with rural areas facing particular challenges in accessing essential services. In France’s outermost regions, weak land-use planning and limited administrative capacity further hinder effective policy implementation and public investment.
- (24) The systematic, meaningful and timely involvement of local and regional authorities, social partners, civil society and other relevant stakeholders remains essential in order to ensure broad ownership for the successful implementation of the Union's funding instruments, as well as in the context of the European Semester.
- (25) The implementation of cohesion policy programmes, which encompass support from the European Regional Development Fund (ERDF) and the European Social Fund Plus (ESF+) in France, is above the average pace at EU level, both in terms of project selection and payments. It is important to keep current momentum, maximising the impact of investments on the ground. France is already taking action under its cohesion policy programmes to boost competitiveness and growth. However, some programmes in the outermost regions continue to face implementation challenges and encounter difficulties in meeting their programmes’ targets. At the same time, France needs to accelerate implementation of JTF as resources are due for disbursement by the end of 2026. It is essential to ensure that the new investments identified by France in its mid-term review of the cohesion policy funds, notably those linked to the five priorities identified in the Mid-Term Review Regulation <sup>(16)</sup>, are deployed rapidly and effectively.
- (26) Aside from the challenges described above, France also faces challenges related to administrative and regulatory burden, intensity of business R&D, support for disruptive innovation, effectiveness of business-academia collaboration, digitalisation of small to medium-sized enterprises (SMEs), the decarbonisation of transport and buildings, the roll-out of renewables and related investments in the electricity grid and storage as well as the electrification of end uses, water quality and scarcity, skills shortages, youth labour market outcomes, the education system, the teaching profession and in-work and child poverty.
- (27) As set in the Competitiveness Compass, all the EU, national, and local institutions must make a major effort to produce simpler rules and to accelerate administrative

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<sup>16</sup> Regulation (EU) 2025/1914 of the European Parliament and of the Council of 18 September 2025 amending Regulations (EU) 2021/1058 and (EU) 2021/1056 as regards specific measures to address strategic challenges in the context of the mid-term review.

procedures. To reduce administrative burden, France needs to take further action. This would also entail increased availability of digital public services for citizens and businesses, given that their provision has stagnated and remains below the EU average. In mid-April 2026, the law on simplifying economic life was adopted. The law introduces ‘enterprises test’ and a dedicated body, the Council for Simplification associating representatives of businesses, to test the new and modified norms. The Council for Simplification may also be consulted on the existing norms. The law eases the setting up of industrial and infrastructure projects and data centres, subject to conditions, and facilitates energy transition projects. The law also facilitates businesses’ access to public procurement. A significant and increasing share of firms in France considered labour market regulations and business regulations to be a major obstacle to investment <sup>(17)</sup>. The procedures relating to cessation of payment, cessation of activity and legal proceedings are considered to be the most complex to carry out. While the simplification law facilitates business transfers, it does not address the cessation of activity procedures.

- (28) Regulatory restrictions on domestic firms remain higher in France than in comparable countries for several professions and are among the highest in the EU for retail. Reviewing compulsory local examinations for foreign professionals, reducing mandatory minimum fees, and offering alternatives to mandatory membership of a professional body could better support the growth of new innovative businesses and reduce the cost of intermediate inputs. Easing restrictions on retail – such as registration requirements, authorisations and operational constraints – could help improve business operations and benefit consumers through competitive prices and a broader product choice. Simplifying the regulatory environment for the construction sector, including land-use regulations and permitting could help address housing supply constraints. National packaging and labelling rules impose compliance burdens on goods trade. According to the Commission’s assessment and the OECD, regulatory restrictions to cross-border intra-EEA trade in services in France are among the highest in the EU, particularly in architecture, legal services, accounting, distribution services, air transport, rail freight and road freight. Improved market access conditions, more transparent licensing, and lower barriers to the movement of people, supported by efforts to reduce digital trade frictions, could enable France to harness productivity and competitiveness gains.
- (29) Despite having one of the highest shares of public support for business R&D in the EU, France’s private R&D is stagnating and remained somewhat below the EU average in 2024. The main mechanism, the research tax credit, is projected to rise to EUR 8.0 billion in 2026 (0.3% of GDP) <sup>(18)</sup>. The evaluation conducted by the National Commission for the Evaluation of Innovation Policies in 2021 indicated that the scheme had no significant effects on larger firms, despite half of the support being transferred to them. Better targeting the aid to innovative SMEs, mid-cap companies

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<sup>17</sup> 27% and 26% for labour market and business regulations respectively in 2025, up from 20% and 19% in 2024. Overall, around 60% of businesses considered those regulations to be impediment to investment in 2025 in France. 2025 and 2024 EIB investment surveys.

<sup>18</sup> OECD (2020), ‘How effective are R&D tax incentives? New evidence from the OECD microBeRD project’, Directorate for Science, Technology and Innovation Policy Note, OECD, Paris. Conseil d’analyse économique (2022), Focus N°090-2022 ‘Renforcer l’impact du Crédit d’impôt recherche’ Philippe Aghion, Nicolas Chanut et Xavier Jaravel. Bunel, S. and Sicsic, M. (2024), ‘*Les incitations fiscales à la recherche et développement et à l’innovation : état des lieux, effets et alternatives*’, Sciences Po LIEPP Working Paper n°163.

and start-ups and facilitating their uptake of the scheme could boost R&D since those firms are more financially constrained. Lowering the threshold of eligible expenses under the research tax credit and increasing the advantage for smaller and younger innovative companies could make the scheme more effective in increasing R&D intensity by increasing additionality effects.

- (30) Targeted innovation support, as provided by the France 2030 investment plan, typically supports an increase in intangible investment including in intellectual property, leading to increased productivity and competitiveness <sup>(19)</sup>. A 2023 evaluation of France 2030 indicates a sizeable impact on GDP and employment, although a streamlining of the support could be beneficial. However, France is accelerating the phasing-out of France 2030 and there are no indications of an investment plan that would succeed it. Introducing a multiannual strategic investment programme channelled towards disruptive innovation and covering the whole research-innovation cycle, with improved governance in line with lessons learnt from France 2030 <sup>(20)</sup>, could accelerate the deployment of new technologies and support industrial sovereignty in key strategic sectors, economic security and long-term growth.
- (31) French scale-ups continue to face a sizeable funding gap. On average, a French firm has raised only 60% as much capital as a comparable firm in the United States, ten years after its creation <sup>(21)</sup>. As scale-ups are more productive and more innovative than other firms, addressing the innovation funding gap and increase investment in venture capital and private equity would raise France's growth prospects. This can be achieved by further leveraging institutional investor funds, including through 'Tibi initiative', mobilising retail investment and ultimately facilitating access to the initial public offering (IPO) markets <sup>(22)</sup>. More broadly, the savings and investment ecosystem in France could be strengthened for the benefit of the economy by increasing equity holdings by institutional investors such as pension funds and insurance companies and encouraging equity investment by retail investors, notably via the *Plan d'Épargne en Actions* (PEA).
- (32) Closer links between science and business are key for generating innovation. A wide range of entities <sup>(23)</sup> and instruments have been introduced to support such cooperation in France. However, the complexity of France's technology transfer and research

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<sup>19</sup> Roth, F., & Thum, A. E. (2013). Intangible capital and labor productivity growth: Panel evidence for the EU from 1998-2005. *Review of Income and Wealth*, 59(3), 486e508. <https://doi.org/10.1111/roiw.12009>; Dimas, P., D. Stamopoulos and A. Tsakanikas (2022), 'Intangibles and Participation in Global Value Chains in the EU: Evidence from the GLOBALINTO Input-Output Intangibles Database', *Economic and Business Review*.

<sup>20</sup> Cour de comptes (2024) '10 ans de politiques publiques en faveur de l'industrie', pages 86-87 ; le Comité de surveillance des investissements d'avenir (2026), 'France 2030 : un déploiement massif et rapide à pérenniser, un impact à renforcer', [2ce0410dc4f9499917f929e71c6f716395ef68aa.pdf](https://www.ccomptes.fr/system/Uploads/2026/01/2ce0410dc4f9499917f929e71c6f716395ef68aa.pdf).

<sup>21</sup> Fratto, C., Gatti, M., Kivernyk, A., Sinnott, E., & van der Wielen, W. (2024). The scale-up gap: Financial market constraints holding back innovative firms in the European Union, *European Investment Bank*. <https://doi.org/10.2867/382579>.

<sup>22</sup> According to EIF Equity survey 2025 ([eif-equity-survey-2025.pdf](https://www.eif.europa.eu/eif-equity-survey-2025.pdf)), almost half of general partners managing venture capital funds in Europe cited initial public offering markets as a major obstacle to scaling up. Other even more important obstacles stem from fragmented markets, access to capital, and a lower investor appetite for risk.

<sup>23</sup> Such as technology transfer acceleration companies (*Sociétés d'accélération du transfert de technologies*, SATT), institutes for technological research (*Instituts de Recherche Technologique*), and university hospital institutes (*Instituts Hospitalo-Universitaires*).

valorisation ecosystem, as highlighted by the *Inspection générale des finances* in 2024 <sup>(24)</sup>, represents a significant barrier. A review of the governance and financing model of the technology transfer acceleration companies (SATT) and more broadly their role to improve technology transfer at local level was launched in 2025, with the objective of a new organisational set up by 2027. To improve innovation outcomes, the effectiveness of the knowledge and technology transfer ecosystems needs to be increased. This can be achieved by targeting concrete outcomes, such as a sizeable increase in patent filings, intellectual property protection, and business creation. Simplifying the ecosystems, for instance by streamlining the roles of existing entities or boosting collaboration between them, could also yield better results.

- (33) Despite progress in the digitalisation of SMEs and in the adoption of advanced digital technologies, France is still below the EU average. Key bottlenecks of SME digitalisation include a lack of expertise and skills, cybersecurity concerns, and financial constraints, particularly due to unclear returns on investment. Delayed digital adoption, particularly in SMEs is one of the factors weighing on productivity growth and competitiveness in France. Accelerating the digitalisation of SMEs is key to meeting the EU's 2030 digital targets, which state that more than 90% of the European Union's SMEs should achieve at least a basic level of digital intensity by 2030. 'France Num' remains the main public tool supporting basic SME digitalisation, acting mainly as a network of stakeholders involved in digital transformation. The new plan 'Osez l'IA' aims at diffusing AI technologies in large firms and SMEs, hence contributing to digitalisation. However, it is neither targeted at SMEs, nor focused on basic digitalisation.
- (34) The slowdown in decarbonisation observed in 2024 continued in 2025. All sectors are off track to meet the 2030 targets set in France's third draft low-carbon strategy, with the largest gaps in buildings and transport, compounded by the declining natural carbon sinks, which offset greenhouse gas (GHG) emissions. Transport remains the main source of GHG emissions in France. Accelerating the decarbonisation of road transport is essential to meet GHG emissions reduction targets. Freight transport in France remains largely road based. To support a modal shift from road to rail and inland waterways, France needs to complete the Trans-European Transport Network to increase capacity and network density as well as ensure adequate investments in rail infrastructure. Inland waterways also offer high decarbonisation potential and could be tapped further by improving the quality of the inland waterway networks, the river information services' interoperability, data availability, and terminal density. France could further encourage the up-take of low-emission vehicles by disincentivising the purchase of combustion engine vehicles, by exempting electric heavy-duty vehicles from tolls on high-speed roads and internalising the external cost of CO<sub>2</sub> emissions of conventional heavy-duty vehicles in tolls.
- (35) Final energy consumption in the residential and tertiary buildings sector has largely stagnated since 2015 and rose by 1% in 2024, and GHG emissions decreased by only 1.5% in 2025 (compared to -0.7% in 2024), according to the latest estimates by Citepa.

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<sup>24</sup> Monitoring Committee for Investments for the Future. Evaluation of the First Wave of the Future Investment Program (PIA, 2009-2019), November 2019, [Le PIA, un outil à préserver, une ambition à refonder](#); Cour des comptes (2018), *Les outils du PIA consacrés à la valorisation de la recherche publique*; *Inspection générale des finances* (2024), *Évaluation des dispositifs Carnot*.

France remains off track to meet its third carbon budget for the sector <sup>(25)</sup>. The number of energy renovations declined by 10%, based on data from the French National Housing Agency, reflecting repeated ‘stop-and-go’ changes to ‘MaPrimeRenov’ scheme. This instability – through interruptions, changing type of work eligible and of income conditions to access financing – has weakened momentum, reduced predictability for households and the sector, and slowed the deployment of heat pumps. The shift towards energy savings certificates (CEEs) may also prove less effective, as highlighted by the French Court of Auditors <sup>(26)</sup>, that assessed the scheme as too complex and costly and raising equity concerns. France therefore needs to step up efforts to meet its 2030 buildings emissions target under its third draft low-carbon strategy (SNBC-3), in particular by simplifying schemes and ensuring stable, predictable support. This includes prioritising ambitious renovations (namely, that achieve at least 30% of energy savings) and targeting vulnerable households.

- (36) France reached its legally binding 2020 renewable energy target in 2024, with renewables accounting for 23.2% of final energy consumption – four years behind schedule. It remains off track relative to its indicative contribution <sup>(27)</sup> to the EU 2030 target of 42.5%. After several years of consultation, the third multi-annual energy programme (PPE-3) was finally adopted in February 2026, helping to clarify the policy framework and providing greater predictability for investments. Achieving the 2030 and 2035 national objectives and restoring confidence among investors and developers will require the full implementation of the 2023 Renewable Energy Acceleration Law <sup>(28)</sup>, a reform included in France’s recovery and resilience plan and in its medium-term fiscal-structural plan in order to underpin an extension of the fiscal adjustment period. Key barriers still need to be addressed, in particular the slow and complex permitting procedures linked to the absence of a one-stop-shop system. Finally, the rapid launch of tenders across all technologies, together with a greater regionalisation of energy planning – in particular in outermost regions facing specific constraints – will be essential to deliver on France’s renewable energy ambition and support the scaling-up of domestic and EU clean technology value chains in strategic sectors.
- (37) The increasing curtailment of renewable electricity together with a growing number of negative price events highlight the need to further develop demand-side flexibility and storage capacities, including thermal storage. While some progress has been made, including with additional battery capacities installed in 2025, further efforts are required to integrate rising volumes of renewable electricity and ensure security of supply. This also underscores the need for both domestic and cross-border grid reinforcement. Electricity system operators (RTE <sup>(29)</sup> and Enedis) have committed substantial investments to expand and modernise transmission and distribution

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<sup>25</sup> At 56 MtCO<sub>2e</sub>, France is below its third carbon budget for the sector, which is set at an average of 52 MtCO<sub>2e</sub> over 2024-2028.

<sup>26</sup> Cour des Comptes, 2024 [Les certificats d'économies d'énergie, communication à la commission des finances, de l'économie générale et du contrôle budgétaire de l'Assemblée nationale](#).

<sup>27</sup> The formula set out in Annex 2 of the Governance Regulation indicates that France’s target should be 44% by 2030.

<sup>28</sup> Around one quarter of the required implementing acts are still pending and only 16,000 municipalities have designated ‘renewable acceleration zones’.

<sup>29</sup> RTE major investment plan of 100 bn EUR until 2024 has been approved by the French Regulator in February 2026 : [Examen du schéma décennal de développement du réseau de RTE élaboré en 2025 | CRE](#).

networks. However, even though France is broadly progressing towards its projected infrastructure investment needs, delivery remains contingent on sufficient manufacturing and human capacity, including skilled labour and cables production and supply. In comparison, progress on cross-border projects remains limited: France electricity's interconnection level reached 5.44% in 2025, well below the 2030 EU target of 15%. Although France is interconnected with its neighbouring countries and new projects are underway, delays persist and key projects, such as the trans-Pyreanean interconnection, are not fully reflected in current planning despite their Project of Common Interest status. Strengthening cross-border interconnection capacity remains essential to help manage electricity surplus generation in the short term, enhance EU market integration, system flexibility, and renewable expansion, particularly with the Iberian Peninsula.

- (38) The recent increase in supply and availability of clean electricity (through greater availability of the nuclear fleet and faster solar deployment) together with a lack of flexibility in the electricity system, has contributed to more frequent negative-price hours, higher price volatility, higher renewables curtailment, and a greater need for nuclear output modulation. France has a largely fossil-free electricity mix and had the third lowest wholesale electricity prices across the EU in 2025, making clean electricity an economically attractive vector for decarbonisation. Yet a significant electrification potential remains untapped and amplifies the current oversupply dynamics: the electricity share in France's final energy consumption is above the EU average, but has remained stagnant over the last decade, rising only moderately from 20% in 1990 to 26% in 2024 according to the French statistical data and studies department (SDES). In 2024, electricity accounted for 35.4% and 35.7% of households and industry final consumption respectively, while its share in transport remained low, at 2.5%. Meanwhile, rising curtailment of renewable energy is already constraining renewables integration, a concern that will grow given the expected decline in nuclear production by 2050 and the risk of other unplanned maintenance interventions on existing nuclear power plants. Further progress in electrification across sectors would therefore help to cost-effectively decarbonise the economy, create additional outlets for low-carbon generation, and support the business case for renewable deployment and flexibility solutions. This could be achieved by implementing an electrification of end uses programme, with ambitious targets for high emitting sectors – such as transport, heating and cooling in buildings, and industry.
- (39) Water scarcity is increasingly constraining economic activity with 24-26% of France's gross output exposed to surface water risks and drought related costs exceeding EUR 5 billion in 2022. The impact of water scarcity is cross-sectorial and creates tensions across water-intensive sectors such as energy, agriculture, industry and tourism in most regions. These pressures are further compounded by France's reliance on water for electricity production (hydropower and nuclear cooling), whose climate risks are acknowledged through the third National Climate Change Adaptation Plan (PNACC-3). Regional disparities further amplify these pressures: intensive agricultural areas are affected by nitrate and pesticide pollution; urban and industrial regions face high demand combined with diverse pollutants (including PFAS<sup>(30)</sup> and microplastics). Access to drinking water and sanitation remains a challenge with a significant annual investment gap of around EUR 4.6 billion, particularly in outermost regions, despite

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<sup>30</sup> Per- and polyfluoroalkyl substances (i.e. synthetic forever chemicals).

targeted investment programmes such as the Overseas Departments Water Plan (PEDOM). Enhancing national and local water governance is needed to better manage competing demands and resolve conflicts across sectors, while addressing investment gaps in resilient water infrastructures, strengthening monitoring and transparency of water quality, and safeguarding water quality from agricultural and industrial pollution in order to reduce the economic impact of water scarcity and water quality degradation. Finally, these improvements should be embedded in an integrated approach to climate adaptation and resilience.

- (40) In light of the crucial role of human capital in enhancing the Union's competitiveness and strategic autonomy, in 2026 the Council recommended that Member States take action to urgently address human capital-related structural challenges in the areas of skills and education, which hamper competitiveness. The 2026 country-specific recommendations addressed to France can contribute to the implementation of the Council Recommendation on human capital in the Union.
- (41) Despite significant improvement, the French employment rate remains low and barriers to employment persist, especially for young workers. Despite efforts to tackle youth unemployment with RRF-supported programmes such as '1 jeune, 1 solution' and the 'Contrat d'engagement jeune', youth unemployment (19.7% in 2025) and not in education, employment or training (NEET) rates (12.7% in 2025) are rising. Job opportunities for youth are especially lacking in the outermost regions, rural areas, urban peripheries and territories undergoing industrial transition. Limited access to affordable housing and transport further hinders labour market integration, with these challenges being particularly acute in the outermost regions. Addressing these obstacles, in particular by improving the targeting, consistency, and awareness of existing support schemes, improving access to housing and mobility options and better aligning education and training to employers' needs could improve labour market integration, particularly of young people, and reduce labour shortages.
- (42) The French labour market also faces skills mismatches, particularly in key sectors such as manufacturing, construction, social and health care sectors in which recruitment difficulties persist. France has invested in upskilling and reskilling workers, with the support of the RRF and of the ESF+, leading to a slight increase in the number of adults participating in training (49.2% in 2022, against 48.4% in 2016). However, progress toward the 2030 target of 65% remains slow, particularly among low-skilled and older workers. Better alignment of training with labour market needs and stronger support for vulnerable groups are still needed, especially as cuts in apprenticeship and trainings funding<sup>(31)</sup> may reduce participation. A lack of skilled labour, notably in STEM (science, technology, engineering, and maths), is limiting France's ability to meet growing demand in technology-driven sectors. In particular, ICT and industrial engineers are among the professions with the strongest growth forecasts, yet, close to 1 in 4 jobs risks to remain vacant due to these skills shortages. Enrolment in STEM studies is decreasing and remains below the EU average. Efforts to boost STEM enrolment in upper secondary and tertiary education, alongside early interventions for high-potential learners, as well as strengthening continuous training for teachers in STEM fields would help addressing STEM skills gaps in key industries.

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<sup>31</sup> 2026 budget, Loi de Finances 2026.

- (43) The French education system is marked by declining proficiency in basic skills and STEM<sup>(32)</sup>. While PISA scores hover near the EU average, the share of low-achieving 15-year-olds in science, maths, and reading has increased and exceeds the 2030 target of 15%<sup>(33)</sup>, particularly in mathematics, where the share of top performers has also regressed. France has also one of the widest socio-economic gaps in the EU<sup>(34)</sup>, with socioeconomic background remaining a stark predictor of educational outcomes. Existing support for low achievers remains insufficiently targeted as 70% of disadvantaged pupils fall outside the ‘réseaux d’éducation prioritaire’ (priority education network) support scheme. Expanding priority education areas, adopting flexible criteria for disadvantaged schools, and leveraging student assessment data to tailor teaching methods, could contribute to better address individual needs and improve students’ performance in basic skills, starting from an early age. However, frequent policy changes have resulted in insufficient time for implementation and evaluation and reduced ownership by the teaching community and hampered the effectiveness of reforms.
- (44) Significant challenges persist in improving teachers’ working conditions and the quality of their training, undermining the attractiveness of the profession. France faces a declining pool of teaching candidates and rising attrition among permanent staff. Key contributing factors include inadequate remuneration compared to the EU average<sup>(35)</sup>, poor working conditions, limited professional recognition, and limited opportunities for mobility<sup>(36)(37)</sup>. Moreover, the latest TALIS survey reveals that French teachers report lower satisfaction with both initial teacher education (ITE) and continuous professional development (CPD) compared to EU peers, with critical gaps in training, particularly in emerging areas such as AI integration. Increasing reliance on temporary teachers with lower levels of qualifications and experience and lower access to training could affect teaching quality. Steps have been taken to improve teaching conditions, including the 2025 ITE reform, which has already led to a rise in exam applications, suggesting a potential uptick in the profession’s attractiveness. However, the 2026 budget acted the suppression of 4000+ teachers’ posts, partly justified by the demographic decline but also limiting opportunities to reduce class sizes. The 2022 CPD reform has yet to show substantial improvements in training coverage, accessibility, or quality. There is scope for further measures to better align initial and continuous training with the changing needs of all students<sup>(38)</sup> and provide teachers and schools with greater autonomy<sup>(39)</sup>. In particular, the Court of Auditors

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<sup>32</sup> 2023 Trends in International Mathematics and Science Study (TIMSS) survey.

<sup>33</sup> According to the 2022 Programme for International Student Assessment (PISA) survey, 28.8% of 15-year-olds underperformed in mathematics in France vs 29.5% in the EU, 26.9% underperformed in reading compared to 26.2% in the EU and 23.8% underperformed in science vs 24.2% in the EU.

<sup>34</sup> OECD (2023). PISA 2022 Results (Volume I).

<sup>35</sup> Teachers’ remuneration corresponds to 82% of the salary of a tertiary-educated worker (EU average: 85%) and only 26.6% of teachers are satisfied with their earnings (EU average: 37.3%). OECD, 2025, *Education at a Glance*.

<sup>36</sup> France Stratégie, 2024, [Working in Public Service: The Challenge of Attractiveness](#).

<sup>37</sup> Cour de Comptes, [Devenir enseignant : la formation initiale et le recrutement des enseignants des premier et second degrés](#), Rapport public thématique, 2023.

<sup>38</sup> Education : comment mieux orienter la dépense publique, Conseil d’analyse économique, 2025, available at : [Éducation : comment mieux orienter la dépense publique](#).

<sup>39</sup> Lastra-Anadón, C. and S. Mukherjee (2019), ‘Cross-country evidence on the impact of decentralisation and school autonomy on educational performance’, OECD Working Papers on Fiscal Federalism, No. 26, OECD Publishing, Paris, <https://doi.org/10.1787/c3d9b314-en>.

warns that in practice, head teachers have limited scope to adapt to students' needs and local circumstances <sup>(40)</sup>.

- (45) While employment rates have risen, the risk of poverty and social exclusion has worsened in recent years. A key driver of this trend is the growing prevalence of in-work poverty that has surged in recent years, in particular among the self-employed and households with children. Several factors underpin this rise: involuntary part-time and fragmented employment reduce total hours worked, while the number of solo self-employed (micro-entrepreneurs and platform workers) <sup>(41)</sup> with very low earnings and limited autonomy has risen. In addition, low-wage traps and insufficient access to training hamper career progression and concerns over working conditions persist, including long working hours and a high share of fatal accidents at work. Addressing low-wage traps, precarious employment, boosting training opportunities and improving working conditions and health and safety at work, including for platform workers could help reduce in-work poverty.
- (46) The share of children at risk of poverty and social exclusion reached 27.5% in 2025, much above the rest of the population (20.8%) and the fifth highest rate in the EU. This increase stems from multiple factors. Parents face difficulties in securing adequate income from work, as 9.2% of children live in jobless households, one of the highest rates in the EU. Additionally, in-work poverty has risen sharply among households with children, particularly affecting single-parent families, predominantly headed by mothers. Among working single parents, one in five were at risk of poverty in 2025, due to involuntary part time and missed career opportunities, often for lack of adequate childcare options. While overall childcare availability is relatively high in France, access remains deeply unequal: the gap between advantaged and disadvantaged children (36 percentage points) is wider than the EU average (20 percentage points). In 2023, 76% of families living in poverty were unable to afford childcare <sup>(42)</sup>. Moreover, concerns remain regarding the quality, availability and cost of childcare, which differ widely across the French territory. Territorial disparities in job and training opportunities, in access to affordable housing, transport and health and social services further hinder parents' ability to secure a living wage. These challenges are compounded by the rising cost of living that contributed to increase severe material or social deprivation among children (10% in 2025, against 7.9% in the EU), with lone parents and large families hit hardest by escalating costs of housing, energy and food <sup>(43)</sup>. Rising homelessness in France <sup>(44)</sup> increasingly affects families with children <sup>(45)</sup>. Meanwhile, child allowances and housing benefits have not kept pace with inflation and eligibility criteria have tightened. Reviewing the effectiveness of family and housing benefits, tackling employment barriers for parents, improving access to early childhood education and care and reducing territorial disparities in access to services could help reduce child poverty.

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<sup>40</sup> Cour des comptes, Mobiliser la communauté éducative autour du projet d'établissement, Rapport public thématique, 2023.

<sup>41</sup> Rapport pour la France. GDPower – Récupération des données des travailleurs au service de la négociation et du suivi des accords collectifs dans l'économie des plateformes. 2025.

<sup>42</sup> CNAF-ONAPE, L'accueil des jeunes enfants - Édition 2025, 2025, [Observatoire national de la petite enfance \(Onape\) | CAF – Caisse d'Allocations Familiales](#).

<sup>43</sup> [INSEE, privation matérielle et sociale en 2025](#).

<sup>44</sup> Fondation pour le Logement, '31<sup>ème</sup> rapport sur le mal-logement en France en 2026' 2026.

<sup>45</sup> UNICEF-FAS, *Baromètre Enfants à la rue*, 2025.

- (47) In view of the close interlinkages between the economies of euro-area Member States and their collective contribution to the functioning of the economic and monetary union, in 2026, the Council recommended that the euro-area Member States take action, including through their RRP, to implement the 2026 Recommendation on the economic policy of the euro area. For France, the recommendation (1) helps implement the first, the second and the fifth recommendations on the euro area, recommendation (2) helps implement the fourth recommendation on the euro area, recommendation (3) helps implement the seventh, the eighth and ninth recommendations on the euro area, recommendation (4) helps implement the seventh recommendation on the euro area and the recommendation (5) helps implement the fifth recommendation on the euro area.

HEREBY RECOMMENDS that France take action in 2026 and 2027 to:

1. In view of the deviation projected for 2026 by the Commission vis-à-vis the recommended net expenditure ceiling, ensure that net expenditure respects the corrective path recommended by the Council on 21 January 2025. Reinforce defence spending and readiness while ensuring spending efficiency and gradually adapting the budget to sustain structurally higher defence spending. Ensure that any measures taken to mitigate the impact of the hike in energy prices are temporary, targeted at protecting vulnerable households or at addressing the needs of energy-intensive firms, preserve incentives for energy savings while ensuring that their fiscal cost is compatible with the commitments under the EU fiscal framework. Implement the set of reforms and investments underpinning the extended adjustment period as recommended by the Council on 21 January 2025. Ensure the fiscal sustainability of the pension system, while taking fairness into account and enhancing its contribution to employment and potential growth. Rely on the outcome of spending reviews to reduce public spending in a lasting and significant manner and improve its efficiency. Shift taxes away from production factors to consumption and environmental taxes, while rationalising and reducing fiscal and social tax expenditures. Reduce administrative complexity by eliminating overlapping competences, thereby improving spending efficiency. Strengthen administrative capacity and spatial planning in the outermost regions.
2. Ensure continuity of reforms and investments implemented under the Recovery and Resilience Facility. Sustain implementation momentum under cohesion policy programmes building, where appropriate, on the reallocation to strategic priorities and flexibilities in the mid-term review of the cohesion policy framework.
3. Further simplify national regulation, reduce administrative burden, and regulatory restrictions on firms, in particular in construction and the services sector and tackle barriers to free movement of goods. Strengthen business R&D intensity by better targeting public support schemes that incentivise business R&D and promote diffusion of innovation, by sustaining public support through a multiannual investment plan and encouraging equity investment by institutional and retail investors, in particular funding support for scale-ups and for disruptive innovation. Make the ecosystems that support collaboration between academia and businesses more effective. Improve SME digitalisation, including by improving the effectiveness of existing public support measures. Continue to promote diversification and employment in regions affected by industrial transition.
4. Accelerate the decarbonisation of the transport sector by removing barriers and providing incentives to increase the demand and supply of low-emission transport

modes and vehicles. Boost energy efficiency of buildings and reduce reliance on fossil fuels by ensuring stable and predictable support with particular focus on ambitious renovations and vulnerable households. Accelerate the deployment of renewable energy projects including by further streamlining permitting procedures. Promote demand-side flexibility and storage technologies, and ensure sufficient investment in electricity grid capacity and in cross-border interconnections. Accelerate electrification of end uses focusing on high emitting sectors. Improve water management to better address competing demands between water-intensive sectors and ensure adequate investments in water infrastructure, particularly in the outermost regions, and safeguard water quality from agricultural and industrial pollution.

5. Address skills shortages, by aligning training to labour market needs, including at territorial level, and boosting enrolment in science, technology, engineering and maths (STEM) subjects. Increase labour market integration, by removing barriers to education and employment for young people and by expanding access to training for low-skilled and older workers. Improve educational outcomes and reduce inequalities in education. Strengthen the teaching profession, including by improving working conditions and initial and continuous training of teachers. Prevent and reduce in-work poverty and child poverty, by removing barriers to gainful and sustainable employment, notably for parents, by improving access to quality early childhood education and care for the most disadvantaged households, and by reducing territorial disparities in access to services, notably health care.

Done at Brussels,

*For the Council  
The President*