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(OR. en)

10885/26

SOC 416
EMPL 223
ECOFIN 862
UEM 300
EDUC 280
COMPET 808
ENV 793
ENER 424
JAI 860
GENDER 114
JEUN 157
SAN 504

NOTE

From: General Secretariat of the Council

To: Permanent Representatives Committee/Council

Subject: COUNCIL EXPLANATORY NOTE Accompanying document to Council
Recommendations to Member States under the European Semester 2026
- *Approval*

Delegations will find attached an explanatory note accompanying Council Recommendations to Member States under the European Semester 2026.

(draft) Explanatory note

Accompanying document to Council Recommendations to Member States under the European Semester

Article 29 of Regulation 2024/1263 on the effective coordination of economic policies and on multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97 states that "*The Council is expected to, as a rule, follow the recommendations and proposals of the Commission or publicly explain its position*".

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 2026 European semester 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.

Extract from country-specific recommendation 3 for Czechia

Commission text:

Improve the supply of affordable and social housing by expanding the role of the public and non-profit sectors and encouraging more efficient use of existing housing through property and income tax reforms.

Agreed text:

Improve the supply of affordable and social housing by expanding the role of the public and non-profit sectors and encouraging more efficient use of existing housing **through property and income tax reforms.**

Explanation:

The Council considers that tax measures should play mostly a complementary role to improve housing affordability, when this is influenced by other structural factors.

Extract from country-specific recommendation 3 for Lithuania

Commission text:

Improve access to finance for small and medium-sized enterprises, including by stimulating competition in financial services, enhancing capital market liquidity, encouraging greater participation in financial markets, and strengthen funded supplementary pension schemes.

Agreed text:

Improve access to finance for small and medium-sized enterprises, including by stimulating competition in financial services, enhancing capital market liquidity, encouraging greater participation in financial markets, ~~and strengthen funded supplementary pension schemes.~~

Explanation:

For Lithuania, the Council does not agree with recommending the strengthening of supplementary pension schemes to improve access to finance for SMEs, as they contributed very little to access to finance in this country and funnelled savings outside of the EU.