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From:	General Secretariat of the Council
To:	Permanent Representatives Committee (part 2)/Council
Subject:	Draft ECOFIN Council Conclusions On In-Depth Reviews And Implementation Of The 2016 Country Specific Recommendations

Delegations will find attached the draft Council conclusions on in-depth reviews and implementation of the 2016 Country Specific Recommendations, as endorsed by the EFC on 16 May 2017.

Draft ECOFIN Council conclusions

on in-depth reviews and implementation of the 2016 Country Specific Recommendations

The Council (ECOFIN):

1. WELCOMES the timely 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), and the implementation of the 2016 country specific recommendation (CSR) follow-up, as well as the accompanying Communication summarising the main results of the IDRs. WELCOMES the integrated analysis and STRESSES the need to keep IDR analysis well identifiable and transparent within the country reports.

2. WILL take into account these elements, as well as the National Reform Programmes and the Stability and Convergence Programmes and the recommendation on the economic policy the Euro area of March 10^{th} 2017, when adopting the 2017 Country Specific Recommendations.

I. IN-DEPTH REVIEWS

3. CONSIDERS that the IDRs present a thorough and mature analysis of the country position in each of the Member States under review, thus presenting the basis for multilateral surveillance, enhanced domestic ownership of reforms and effective policy action. RECOGNISES that the relevant analytical tools have been applied in view of the specific challenges of each economy and complemented by substantive qualitative analysis.

4. AGREES that 12 of the examined Member States (Bulgaria, Germany, Ireland, Spain, France, Croatia, Italy, Cyprus, the Netherlands, Portugal, Slovenia, and Sweden) are experiencing macroeconomic imbalances of various nature and degree of severity under the MIP, and that Finland is no longer experiencing macroeconomic imbalances in the sense of the MIP.

5. AGREES with the view of the Commission that excessive imbalances exist in 6 Member States (Bulgaria, France, Croatia, Italy, Cyprus, and Portugal). NOTES the Commission's intention to review in May its assessment for three countries identified with excessive imbalances (Italy, Cyprus, and Portugal), in light of structural challenges emerging from the IDR analysis, taking into account the level of ambition of their National Reform Programme. AGREES to carefully consider any further Commission reviews in order to establish if further steps are needed. UNDERLINES that the MIP procedure should be used to its full potential, with the corrective arm applied where appropriate.

6. UNDERLINES the continued need for policy action and strong commitment to structural reforms in all Member States, including 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.

7. RECOGNISES the progress achieved by many Member States in correcting their external and internal imbalances, thus contributing to the rebalancing at euro-area and EU level. UNDERLINES that despite improvements the challenges and risks remain broadly unchanged and further progress on policy action is needed to address imbalances, in particular elevated levels of indebtedness, against the background of declining potential output and productivity growth and unemployment rates that remain historically high. At the same time, elevated current account surpluses in some euro area Member States with relatively low deleveraging needs persist and could under some circumstances indicate large savings and investment imbalances deserving progress on policy actions. NOTES that the rebalancing of deficits to surplus positions in many euro area countries coupled with persistent and high surpluses in others has implied an asymmetric adjustment leading to a large and increasing surplus position of the euro area as a whole whose consequences deserve further attention.

II. IMPLEMENTATION OF COUNTRY SPECIFIC RECOMMENDATIONS (CSRs)

8. NOTES progress made in addressing the 2016 CSRs but TAKES NOTE that reform implementation has been uneven across policy areas and countries, and that in only a few cases substantial progress has been made in addressing the 2016 CSRs.

9. WELCOMES the Commission`s new multiannual assessment of CSR implementation, and that good progress on a large majority of recommendations has been made, but NOTES this has been uneven across policy areas, countries and over time. RECALLS that multiannual assessment by the Commission illustrates that a number of CSRs relate to long-term structural issues that take time to be addressed and that tangible results may take time to show.

10. STRESSES that in the currently relatively favourable macroeconomic environment, reform implementation needs to continue and be stepped up to address the policy challenges outlined below, guarding against reform fatigue and overcoming political economy challenges.

11. WELCOMES that general government deficits and debt ratios are expected to decline in many Member States, but STRESSES that ensuring long-term fiscal sustainability, including the sustainability of pension systems remains a challenge.

12. UNDERLINES that further structural reforms to product and services markets should be prioritised to strengthen economic recovery, correct harmful imbalances, improve the investment conditions, and reinforce the single market. More progress could be achieved in generating a business and employment friendly regulatory environment, cutting red tape, strengthening both administrative efficiency and regulatory quality, and eliminate unjustified restrictions in the service sector, particularly by making it significantly easier for service providers to operate across borders.

13. WELCOMES the emphasis placed on inclusive growth and STRESSES that fostering economic and employment growth, increased investment, and reforms to increase productivity and labour supply are all essential elements in tackling social challenges. Sound public finances and implementing ambitious reforms are a prerequisite for sustainable and inclusive growth.

14. AGREES that there remains 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.

15. ACKNOWLEDGES that Europe faces a productivity challenge, with productivity growth subdued and lagging behind the growth rates of other advanced economies. In this context UNDERLINES the importance of structural reform to foster innovation, digitalisation and facilitate the diffusion of new technologies, to create a business environment where the most productive firms are allowed to thrive, and to reduce resource misallocation and skill mismatches. The challenge is exacerbated by inter alia ageing populations. The share of working-age persons in the total population is projected to decline across Europe, and this is particularly marked in some economies.

16. 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, and further progress could be made to increase female labour market participation. In some Member States further efforts to reduce youth and long-term unemployment are needed. The successful integration especially of migrants and refugees requires particular attention.