

Annex 6: Article IV recommendations and matching CSRs

<u>Bulgaria, 2016</u>	
<u>IMF IV</u>	<u>CSR</u>
Follow-up on the recently completed asset quality review and stress test to restore capital buffers of identified banks.	By the end of 2016, finalise the asset quality review and stress test of the banks. [CSR 2, 2016]
Use the information acquired during the banking assessment to pursue a more risk-based supervisory review and evaluation process, and devote adequate resources to more inspections.	
Improve bank governance by strengthening the regulatory requirements for transparency of groups' operational and ownership structures and upgrading the Boards' governance.	Improve corporate governance in financial intermediaries, including by tackling concentration risk and related-party exposures. [CSR 2, 2015]
Take proactive measures to promote effective write-offs within a reasonable time frame to reduce NPLs.	Facilitate the reduction of still-high non-performing corporate loans, by drawing on a comprehensive set of tools, including by accelerating the reform of the insolvency framework and by promoting a functioning secondary market for non-performing loans. [CSR 2, 2017]
Save the revenue over-performance in 2016 to strengthen fiscal buffers.	
Need further pension reforms to address long-term spending pressures.	
Improve public spending efficiency, particularly in the areas of education, health, and public investment.	Improve the efficiency of the health system by improving access and funding, and health outcomes. [CSR 3, 2016]
Make active labour market policies more effective by better targeting training and education to reduce skill mismatch	Reinforce and integrate social assistance, including relevant social services, and active labour market policies, in particular for the long-term unemployed and young people not in employment, education or training. [CSR 3, 2016]
Enhance the governance and performance of state-owned enterprises to reduce contingent liabilities and improve productivity.	
Monitor fiscal contingent liabilities closely and reflect in fiscal planning.	
Adopt a comprehensive anti-corruption law and establish a single agency with adequate powers and independence, consolidate the anti-corruption work, and establish a track record of successful investigations and prosecutions of alleged high-level corruption.	
<u>Cyprus, 2016</u>	
<u>IMF IV</u>	<u>CSR</u>
Reduce high NPLs, including by legislating and implementing insolvency and foreclosure frameworks.	By June 2017, eliminate impediments to the full implementation of the insolvency and foreclosure frameworks and ensure adequate resources for the insolvency service. [CSR 2, 2016]
Address impediments to asset sales;	
Ensuring ownership of titles reflects the economic ownership and accelerating the issuance of title deeds.	Ensure reliable and swift systems for the issuance of title deeds and the transfer of immovable property rights. [CSR 2, 2016]
Further strengthen capital buffers and continue efforts to restructure banks and the cooperative sector.	
Manage external payment restrictions prudently to safeguard financial stability.	

Enhance prudential supervision within the SSM framework and ensure effective AML/CFT supervision.	
Implement medium-term fiscal consolidation that is carefully paced, relies on permanent measures, and is focused on unwinding the spending increases preceding the crisis.	Following the correction of the excessive deficit, respect the medium-term budgetary objective in 2016 and in 2017. [CSR 1, 2016]
Focus on implementing key reforms in public financial management (PFM) and revenue administration (RA);	
Pass the law regulating the creation and functioning of SOEs.	And the law on the governance of state-owned entities, [CSR 1, 2016]
Implement reforms to the welfare system.	
Press ahead with a comprehensive privatisation programme.	Pursue the privatisation plan [CSR 4, 2016]
Implement concrete actions to improve the business environment	Remove impediments to investment, in particular by implementing the action plan for growth. [CSR 4, 2016]
Germany, 2016	
IMF IV	CSR
Step up investment addressing weaknesses in public infrastructure to strengthen potential output and domestic demand.	Achieve a sustained upward trend in public investment, especially in infrastructure, [CSR 1, 2016]
To facilitate this process, put in place new institutions that enable better planning and coordination of public investment at the local level.	Improve the design of federal fiscal relations with a view to increasing public investment, especially at municipal level. [CSR 1, 2016]
Reduce labour tax wedge for lower income households	Reduce the high tax wedge for low wage earners [CSR 3, 2016]
Promote longer working lives, indexing the statutory retirement age to life expectancy.	Increase incentives for later retirement [CSR 3, 2016]
Expand the macroprudential toolkit to better address potential future excesses in the housing sector.	
Ensure that life insurance companies maintain sufficient capital buffers to withstand a prolonged period of low interest rates.	
Spur competition to increase productivity in the services sector.	Step up measures to stimulate competition in the services sector, in particular in business services and regulated professions. [CSR 2, 2016]
Reduce disincentives for women to work full time as a way to mitigate the adverse effects of an aging population on labour supply.	
Remove impediments to housing supply expansion to relieve pressure on house prices.	
Spain, 2016	
IMF IV	CSR
Resume gradual fiscal consolidation with an annual adjustment of the structural primary balance of about 0.5 percent of GDP.	Ensure a durable correction of the excessive deficit, in accordance with the relevant decisions or recommendations under the excessive deficit procedure, by taking the necessary structural measures and by using all windfall gains for deficit and debt reduction. [CSR 1, 2016]
Implement growth-friendly adjustment by gradually reducing VAT exemptions as well as raising excise duties and environmental levies. Conduct expenditure reviews to identify possible efficiency gains.	

Reform regional fiscal framework to improve regional compliance with fiscal targets by more automatic and stricter enforcement of targets and providing regions with greater power to mobilise their own revenues.	Implement at all government levels the tools set out in the fiscal framework law. [CSR 1, 2016]
Further reduce legacy assets, ensure appropriate provisioning, implement ambitious NPL reduction plans, and address remaining deficiencies in the insolvency regime.	
Further strengthen banks' capital and funding positions; improve profitability by lowering operating expenses and boosting non-interest income.	
Fully put in place the macroprudential policy framework to bolster the capacity to manage systemic risk.	
Further improve access to finance for SMEs, especially for market-based financing to support frontier innovation.	Increase performance-based funding of public research bodies and universities and foster R&I investment by the private sector. [CSR 3, 2016]
Improve the effectiveness of active labour market policies (ALMP), for example through consolidation of hiring subsidies into better-targeted schemes (particularly for the low-skilled and long-term unemployed).	Take steps to increase the quality and effectiveness of job search assistance and counselling, including as part of tackling youth unemployment. [CSR 3, 2015]
Address the remaining gap between costs for permanent and temporary workers to lower labour market duality.	Take measures to promote hiring on open-ended contracts. [CSR 2, 2017]
Allow firms more flexibility over working conditions.	
Implement faster the Market Unity Law,	Accelerate the implementation of the law on market unity at regional level. [CSR 4, 2016]
Advance the liberalisation of professional services,	Adopt the planned reform on professional services and associations. [CSR 4, 2016]
And revisit size-contingent regulations,	Remove the barriers preventing businesses from growing, including barriers arising from size-contingent regulations; [CSR 4, 2015]
Strengthen innovation and education policies.	Take further measures to improve the labour market relevance of tertiary education, including by incentivising cooperation between universities, firms and research institutions. [CSR 3, 2016]
Finland, 2016	
<u>IMF IV</u>	<u>CSR</u>
Fiscal adjustment should be well-calibrated to restore long-term fiscal sustainability while minimising negative short-term effects on output.	Achieve an annual fiscal adjustment of at least 0.5 % of GDP towards the medium-term budgetary objective in 2016 and 0.6 % in 2017. Use any windfall gains to accelerate the reduction of the general government debt ratio. [CSR 1, 2016]
Improve growth-friendliness of fiscal adjustment by reallocating resources toward productive public spending, while reducing poorly-targeted transfers and tax expenditures.	
Reverse cuts to public R&D spending and create stronger incentives to private R&D to promote innovation.	
Ensure that health and social services reforms generate the intended improvements in public-sector productivity by clear and timely communication with stakeholders about the key elements of the new system.	Ensure timely adoption and implementation of the administrative reform with a view to better cost-effectiveness of social and healthcare services. [CSR 1, 2016]

The implementation of the Competitiveness Pact, including provisions on improving the flexibility of the wage bargaining system at the firm-level, should be monitored closely.	While respecting the role of social partners, ensure that the wage setting system enhances local wage bargaining and removes rigidities, contributing to competitiveness and a more export industry-led approach. [CSR 2, 2016]
Strengthen ALMPs to facilitate labour mobility.	Increase incentives to accept work and ensure targeted and sufficient active labour market measures, including for people with a migrant background. [CSR 2, 2016]
Implement measures to increase affordable housing in urban areas to facilitate labour mobility.	
Reforms to the retail and state-dominated sectors, such as rail and postal services, should be considered to increase competition and yield productivity gains.	Continue pursuing efforts to increase competition in services, including in retail. [CSR 3, 2016]
Bank supervision should be strengthened by ensuring effective monitoring of banks' internal risk models and intensifying oversight of their liquidity positions.	
Resources allocated to supervision should be bolstered to reflect growth in regulatory complexity and supervisory intensity.	
Macroprudential tools should be enhanced, including through introduction of instruments based on borrower and loan characteristics.	
Inter-agency cooperation on national crisis preparedness and management should be formalised.	
Strengthen regional supervisory cooperation, including through data sharing, supervisory cooperation provisions, conduct of joint stress tests to capture regional linkages between banks, and enhancing joint crisis planning.	
France, 2015	
IMF IV	CSR
Follow an ambitious enough pace of fiscal adjustment to safely achieve the medium-term fiscal targets, including a firmly declining path for the debt ratio, without unduly detracting from the recovery.	Ensure effective action under the excessive deficit procedure and a durable correction of the excessive deficit by 2017 by reinforcing the budgetary strategy, taking the necessary measures for all years and using all windfall gains for deficit and debt reduction. [CSR 1, 2015]
Persevere with the efforts to rein in public spending. Underpin the adjustment by structural measures, identified through comprehensive expenditure reviews at all levels of government.	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. [CSR 2, 2015]
Allow more flexibility in firm-level agreements on hours and wages,	Reform in consultation with the social partners and in accordance with national practices, the wage-setting process to ensure that wages evolve in line with productivity. [CSR 3, 2015]
Reform the minimum wage,	Ensure that minimum wage developments are consistent with the objectives of promoting employment and competitiveness. [CSR 3, 2015]

And strengthen job search incentives for those receiving unemployment or welfare benefits.	Take action in consultation with the social partners and in accordance with national practices to reform the unemployment benefit system in order to bring the system back to budgetary sustainability and provide more incentives to return to work. [CSR 6, 2015]
Further liberalise regulated professions,	Remove the restrictions on access to and the exercise of regulated professions, beyond the legal professions, in particular as regards the health professions as from 2015. [CSR 4, 2015]
Dismantle bureaucratic hurdles to small enterprises,	By the end of 2015, reduce regulatory impediments to companies' growth, in particular by reviewing the size-related criteria in regulations to avoid threshold effects. [CSR 4, 2015]
And remove barriers to competition in services.	Remove barriers to activity in the services sector, in particular in business services and regulated professions. [CSR 4, 2016]
Closely monitor financial risks and continue strengthening bank capital and liquidity buffers in line with evolving regulatory requirements.	
Review guaranteed interest rates under the regulated savings schemes and tax incentives on financial savings products.	
<u>Croatia, 2016</u>	
<u>IMF IV</u>	<u>CSR</u>
Continue fiscal consolidation but make it more growth-friendly.	Ensure a durable correction of the excessive deficit by 2016. Thereafter, achieve an annual fiscal adjustment of at least 0.6 % of GDP in 2017. [CSR 1, 2016]
Reduce income tax rates and implement off-setting revenue, including eliminating one of the two preferential VAT rates. Introduce in 2018-19 a modern real estate tax, in line with past TA recommendations.	By the end of 2016, start a reform of recurrent taxation of immovable property. [CSR 1, 2016]
Contain the growth of the wage bill by linking remuneration to performance, introducing a single salary framework, and streamlining the multi-layered and fragmented public administration.	In consultation with social partners, harmonise the wage-setting frameworks across the public administration and public services. [CSR 3, 2016]
Better target social expenditures by accelerating the one-stop-shop for the numerous benefits while enhancing means testing.	Consolidate social protection benefits, including special schemes, by aligning eligibility criteria and integrating their administration, and focus support on those most in need. [CSR 2, 2016]
Improve implementation capacity and simplify administrative procedures. Expedite the transposition of the procurement directive.	By the end of 2016, start reducing fragmentation and improving the functional distribution of competencies in public administration to improve efficiency and reduce territorial disparities in the delivery of public services ..reduce the administrative burden on businesses. [CSR 3 & 4, 2016]
Advance privatisation especially of inactive assets in a transparent way.	Advance the divestment process of state assets and reinforce the monitoring of state-owned enterprises' performance and boards' accountability, including by advancing the listing of shares of state-owned companies. [CSR 3, 2016]
Amend the Fiscal Responsibility Law to strengthen the link between annual budget planning and the multi-year fiscal strategy.	By the end of 2016, improve budgetary planning and strengthen the multi-annual budgetary framework. [CSR 1, 2016]
Reduce para-fiscal fees.	Significantly reduce para-fiscal charges. [CSR 4, 2016]
Enhance the judiciary framework.	Take measures to improve the quality and efficiency of the judicial system in commercial and administrative courts. [CSR 5, 2016]
<u>Ireland, 2016</u>	
<u>IMF IV</u>	<u>CSR</u>

Continued public debt reduction to rebuild room for countercyclical fiscal policies, improve spending efficiency,	Use windfall gains from strong economic and financial conditions, as well as from asset sales, to accelerate debt reduction. [CSR 1, 2016]
Widen the tax base, and rebalance the tax mix away from direct taxes.	Reduce vulnerability to economic fluctuations and shocks, inter alia, by broadening the tax base. [CSR 1, 2016]
Further reduce nonperforming loans.	Finalise durable restructuring solutions to lower non-performing loans, to ensure debt sustainability of households and to encourage lenders to reduce the debt of excessively leveraged yet viable businesses. [CSR 3, 2016]
Maintain macroprudential measures on mortgage lending, periodically assess the effectiveness of these measures, and alleviate housing supply shortages.	
Broaden financing options for SMEs,	
Enhance labour activation policies and technical and vocational programs to reduce skills mismatches,	Expand and accelerate the implementation of activation policies to increase the work intensity of households [CSR 2, 2016]
And strengthen female labour force participation.	
Italy, 2016	
IMF IV	CSR
Adopt the Annual Competition Law, while strengthening its provisions per the recommendations of the Competition Authority. Implement the relevant legislations to eliminate regulatory barriers in sectors outside the ACL (eg transport, retail, permits). Fully implement already legislated reforms by all levels of government.	Swiftly adopt and implement the pending law on competition ... take further action to increase competition in regulated professions, the transport, health and retail sectors and the system of concessions. [CSR 5, 2016]
Reform local public services and rationalise local public enterprises to improve efficiency. Rationalise the legal framework related to local public services with a view of improving competition in services.	
Implement fully the public administration reform. Advance reforms to improve the skill-mix in the public sector, match positions with skills, align wages with productivity, simplify functions and procedures, rationalise procurement, and tackle privileges and employment in public enterprises, including through privatisation.	Implement the reform of the public administration by adopting and implementing all necessary legislative decrees, in particular those reforming publicly-owned enterprises, local public services and the management of human resources. [CSR 2, 2016]
Strengthen anti-corruption efforts, in particular by implementing AML/CFT measures on domestic politically exposed persons.	Step up the fight against corruption including by revising the statute of limitations by the end of 2016. [CSR 2, 2016]
Promote the use of firm-level wage bargaining.	
Improve active labour market policies (ALMPs) through better coordination and information sharing via the new National Agency for Active Labour Policies (ANPAL). Enhance placement capacity and institute regular and coordinated monitoring of service delivery.	Implement the reform of active labour market policies, in particular by strengthening the effectiveness of employment services. [CSR 4, 2016]
Monitor take-up of new open-ended contract, recourse to legal action, and judges' interpretation of new legislation. Implement legislative decree on streamlining of contracts and monitor use of enhanced flexibility in allocation of labour within the firm.	

Boost female labour participation; ensure refugees are integrated into the workforce.	
Adjust the structural primary balance by about ½ percent of GDP per year during 2017-19	In 2016, limit the temporary deviation from the required 0.5 % of GDP adjustment towards the medium-term budgetary objective to the amount of 0.75 % of GDP allowed for investments and the implementation of structural reforms, subject to the condition of resuming the adjustment path towards the medium-term budgetary objective in 2017. Achieve an annual fiscal adjustment of 0.6 % or more of GDP towards the medium-term budgetary objective in 2017. [CSR 1, 2016]
Give greater priority to more efficient and reduced levels of spending.	
Broaden the tax base, including by rationalising large tax expenditures and reducing the VAT gap. Introduce a modern real estate tax.	Shift the tax burden from productive factors onto consumption and property. [CSR 1, 2016]
Lower tax rates on productive factors.	Shift the tax burden from productive factors onto consumption and property. [CSR 1, 2016]
Banks should be required to present comprehensive NPL strategies with ambitious targets to significantly reduce NPLs over the medium term. Guidance should be provided on banks' approaches to provisioning and loan restructuring practices.	Accelerate the reduction in the stock of non-performing loans, [CSR 3, 2016]
Distressed enterprises need a streamlined and flexible system of out-of-court and in-court restructuring options, with fast-track solutions for the existing stock of NPLs. Debt restructuring principles for multilateral workouts and adoption of a triage approach for indebted firms would be important additions to the restructuring toolkit.	
The emerging banking groups need to be assessed ex ante as sound from capital, assets, management, earnings and liquidity perspectives. In that regard, subjecting banks that are not under the supervision of the SSM to a process of capital assessment following an asset quality review would clarify uncertainty, with follow-up actions in line with regulatory requirements.	
Effective use of the framework for the timely and orderly resolution of failing banks would prevent the costs of the weaker banks from being borne by the rest of the system and eventually raising stability concerns. To address concerns about bailing in retail investors, consideration could be given to identifying and dealing firmly with cases of mis-selling to retail investors and safeguarding poor households through a means-tested social safety net.	
<u>Netherlands, 2015</u>	
<u>IMF IV</u>	<u>CSR</u>
Addressing young households' indebtedness would lift overall spending by increasing transfers between generations. Underwater mortgages should be re-profiled and the stigma associated with personal bankruptcy should be reduced.	
Mortgage interest rate deductibility (MID) should be phased out faster	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. [CSR 2, 2015]

Dutch fiscal policy should support the recovery to the extent possible. The authorities could use any available fiscal space to catch up on deferred spending priorities.	While respecting the medium-term objective, use fiscal and structural policies to support potential growth and domestic demand, [CSR 1, 2017]
Tax reform should aim to reduce the debt bias, VAT distortions, and the labour tax wedge. It should also shift the burden away from labour towards consumption and property taxation.	
Stronger capital and liquidity buffers would ensure that banks have the capacity to support the recovery and the adjustment of household's balance sheet.	
The recommendation of the Financial stability committee (FSC) to reduce maximum loan-to-value ratio for mortgages loans to 90 percent by 2028 should be adopted, and the path after 2018 should be clarified.	
Faster LTV (and MID) reduction should be complemented by accelerated social housing reforms to offer private rental alternatives to premature home ownership. The size of the social housing corporation (SHC) sector should be scaled back to focus on its social mandate and allow the development of the private sector rental market. Zoning regulations should be eased to expand housing supply.	Provide for a more market-oriented pricing mechanism in the rental market and further relate rents to household income in the social housing sector. [CSR 2, 2015]
Rapid growth in self-employment points to the need to address rigidities in the formal employment sector and to ensure equitable treatment between the self-employed and regular employees; tax and other incentives for self-employment should be reviewed.	Address the high increase in the self-employed without employees, including by reducing tax distortions favouring self-employment, without compromising entrepreneurship, and by promoting access of the self-employed to affordable social protection. [CSR 2, 2016]
The strains in the second pillar pension system need to be addressed by shifting to a new model with more transparency and individual choices.	Reduce the level of contributions to the second pillar of the pension system for those in the early years of working life. [CSR 3, 2015]
Slovenia, 2016	
IMF IV	CSR
Aim for a structural primary fiscal adjustment of 0.6 percent of GDP	Following the correction of the excessive deficit, achieve an annual fiscal adjustment of 0.6 % of GDP towards the medium-term budgetary objective in 2016 and in 2017. Set a medium-term budgetary objective that respects the requirements of the stability and growth pact. [CSR 1, 2016]
Implement new property tax system, aiming to substantially increase revenue in the medium term	
Reform the pension system and spending on health and education to save money while maintaining the quality of service.	And healthcare systems, making them more cost-efficient to ensure long-term sustainability of accessible and quality care ... by the end of 2017, adopt the necessary measures to ensure the long-term sustainability and adequacy of the pension system. [CSR 1, 2016]
Rationalise public employment as part of a new multi-year collective agreement	
Reduce non-performing loans, including through transferring to BAMC large bank exposures to debtors on whom BAMC already holds a claim; Set up SPV to bundle and sell non-performing SME loans	Improve the financing conditions for creditworthy business, including by facilitating durable resolution of non-performing loans [CSR 3, 2016]
Privatise state-owned banks; for NLB, reconsider plans to prevent any investor from acquiring more than the state's designated share stake	
Put in place a centralised electronic credit register	Improve credit risk monitoring capacity in banks. [CSR 3, 2015]

Intensify privatisation efforts. Restart privatisation of Telecom Slovenia	
Increase number of 'portfolio' SOEs in which private investors can acquire full control	
Safeguard the independence of BAMC	Continue corporate restructuring and maintain strong corporate governance in the bank asset management company. [CSR 3, 2015]
Portugal, 2015	
IMF IV	CSR
Fiscal policy should be anchored around an annual structural primary adjustment of 0.5 percent of GDP.	Ensure a durable correction of the excessive deficit in 2015 by taking measures as necessary. Achieve a fiscal adjustment of 0.6 % of GDP towards the medium-term budgetary objective in 2016. Use windfall gains to accelerate the deficit and debt reduction. [CSR 1, 2015]
Multi-year expenditure targets should be introduced to underpin a fiscal adjustment based on spending rationalisation.	
Specific policy measures to contain spending should be identified to enforce the expenditure targets, with a focus on public sector wages and pensions.	Enforce the commitment control law to better control expenditure. Improve the medium-term sustainability of the pension system. [CSR 1, 2015]
Priority should be given to the finalisation and adoption of a new Budget Framework Law to improve budget preparation and execution.	
Eliminating the corporate debt overhang is essential for Portugal's recovery.	Take further measures to reduce the corporate debt overhang ... improve the efficiency of debt restructuring tools for viable companies by introducing incentives for banks and debtors to engage in restructuring processes at an early stage. [CSR 4, 2015]
Banks should raise more capital and accelerate the pace of write-offs.	
The authorities should advance corporate governance reform to encourage firms to increase equity and reduce the tax debt bias.	Address the corporate non-performing loans ratio in banks and reduce the debt bias for corporates under tax provisions [CSR 4, 2015]
Increase the effectiveness of the public sector and judicial system, and improve the payment discipline of public sector entities.	
Assess implementation gaps in measures to reduce the cost of energy,	
Use of transport infrastructure and professional services.	And reduce regulatory barriers, especially in business services. [CSR 5, 2016]
Provide greater resources and political support for the competition authority.	
Invest in vocational training and programs to improve managerial skills.	
Develop a more inclusive unemployment support system	
And avoid premature increases in the minimum wage.	Ensure that developments relating to the minimum wage are consistent with the objectives of promoting employment and competitiveness. [CSR 2, 2015]