

# European Semester 2018 Spring Package explained

The package includes:

- A Communication on the 2018 European Semester: country-specific recommendations;
- Country-specific recommendations (CSRs) for 27 Member States (all Member States except Greece, which is currently under a stability support programme).
- A recommendation to the Council to abrogate the excessive deficit procedure (EDP) under Article 126(12) of the Treaty on the Functioning of the European Union (TFEU) for France;
- Reports on Belgium and Italy under Article 126(3) TFEU, reviewing their compliance with the debt criterion of the Treaty in 2016;
- Warnings to Hungary and Romania on the existence of a significant deviation from the adjustment path toward the medium-term budgetary objective in 2017 and related recommendations for Council recommendations;
- The Commission's opinion on the updated Draft Budgetary Plan (DBP) for Spain;
- A Communication on the review of the flexibility under the Stability and Growth Pact.

## **Country-specific recommendations**

### **What are the country-specific recommendations?**

Country-specific recommendations provide tailored advice to individual Member States on how to boost jobs, growth and investment, while maintaining sound public finances. The Commission publishes them every spring, as part of the [European Semester](#), the EU's annual cycle for economic and social policy coordination. The recommendations adapt priorities identified at EU level in the [Annual Growth Survey](#) and at the euro area level in the recommendation for the economic policy of the euro area to the national level. They give guidance on what can realistically be achieved in the next 12 to 18 months to make growth stronger, more sustainable and more inclusive, in line with the EU's long-term jobs and growth plan, the [Europe 2020 strategy](#).

(For more details on the European Semester process and the country-specific recommendations, see the [European Semester website](#)).

### **What is new in the 2018 European Semester and country-specific recommendations?**

Against the positive economic outlook, this year's country-specific recommendations seek to promote a forward-looking approach, focussing on building the basis for sustainable, inclusive and long-term growth.

Member States need to pursue structural reforms that improve the business environment and conditions for investment; especially through product and service market reforms, fostering innovation, improving small and medium-sized enterprises' access to finance and fighting corruption.

Member States also need to promote reforms that prepare their workforces for the future and increase digitalisation, reduce income inequalities and foster employment opportunities, for young people in particular.

Finally, Member States need to adopt reforms that strengthen economic resilience in the context of long-term challenges, such as demographic trends, migration and climate change. Only resilient economies can ensure long-term economic convergence and the reduction of social disparities.

The country-specific recommendations also dedicate special attention to social challenges, building on the European Pillar of Social Rights, proclaimed in November 2017. The ensuing recommendations encourage Member States to advance on the three dimensions of the Pillar: equal opportunities and access to the labour market, fair working conditions, and social protection and inclusion. A particular focus is put on the provision of adequate skills, on the effectiveness and adequacy of social safety nets and improving social dialogue.

### **What progress have Member States made on the country-specific recommendations?**

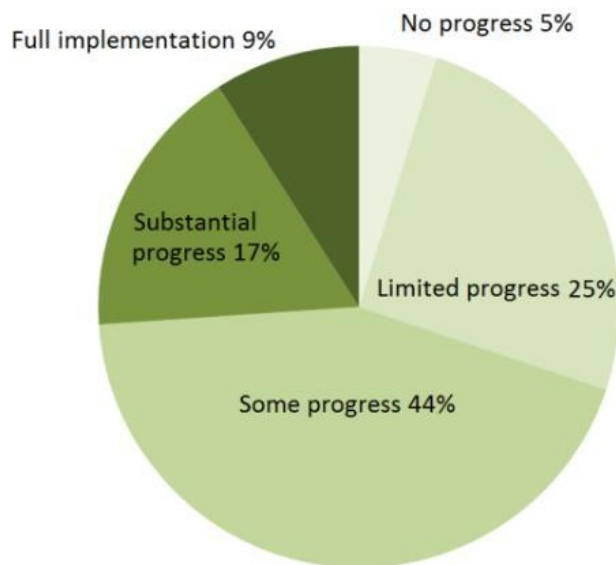
Since the first European Semester cycle in 2011, Member States have fully implemented, made some or substantial progress on over two-thirds of the country-specific recommendations.

They have made most headway in financial services, reflecting the priority given to the stabilisation of the financial sector in response to the economic and financial crisis. There has also been a high implementation rate of reforms to promote job creation on permanent contracts and address labour market segmentation. On the other hand, Member States have not yet fully addressed recommendations in the area of broadening the tax base and in health and long-term care.

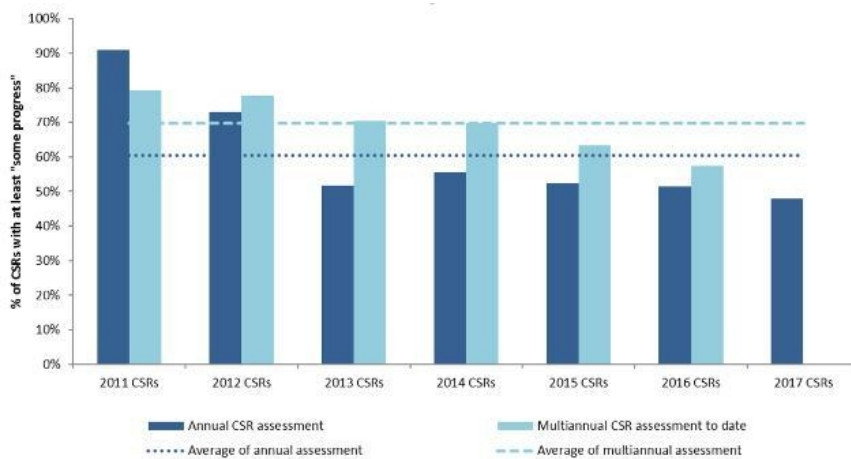
Compared to last year, most progress has been delivered in reforming financial sectors and active labour market policies. For instance, Member States have improved the financing conditions and facilitated a durable resolution of non-performing loans or improved banking supervision. Sound progress has also been made in active labour market policies which have become increasingly diverse in nature in recent years, focusing on a more tailored approach to individual needs, in line with the Council recommendations for youth and long-term unemployed. On the other hand, progress has been slow in education and in addressing challenges in the long-term sustainability of public finances. Education reforms, notably those aiming at improving access for disadvantaged groups and raising the overall quality of education, continues to represent a challenge. Rather modest progress has also been recorded on addressing challenges posed by the long-term sustainability of public finances in view of an ageing population. This

policy area is addressed in a high number of Member States, but progress has only been limited in spite of posing significant challenges over the coming decades.

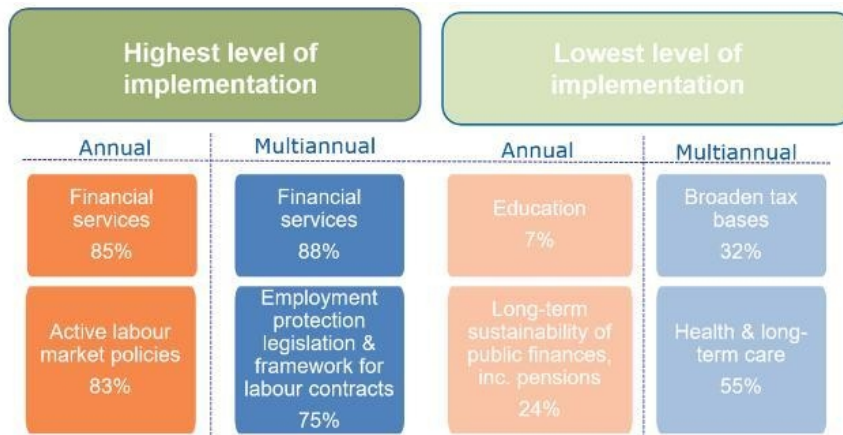
*Current level of implementation of 2011-2017 recommendations (multiannual assessment)*



*Figure 2: Implementation of country-specific recommendations: annual assessment in each consecutive year since 2011 versus implementation to date*



*Figure 3: Policy areas displaying highest and lowest level of CSR implementation*



### What are the main challenges for Member States in 2018-2019?

The overall objective of the country-specific recommendations is to encourage Member States to use the current favourable economic climate to further strengthen the resilience of their economies.

Given the positive cyclical conditions, all Member States should prioritise reforms that increase their growth potential and make it more inclusive, improve the institutional and business environment, remove bottlenecks to investment, support the creation of quality jobs, reduce inequalities, address skills challenges, ensure effective, resilient and accessible healthcare and improve social safety nets.

### How is the Commission helping Member States to implement recommendations?

The Commission promotes reform implementation by engaging in an open dialogue with Member States, by using our monitoring and surveillance tools to identify opportunities and vulnerabilities and by providing technical and financial support to Member States.

The continuous policy dialogue with Member States has intensified over the past few years. Like last year, we have consulted Member States on the analytical parts of their Country Reports prior to publication. In recent months, we have conducted additional consultations with national authorities and stakeholders on how the key challenges identified could translate into country-specific recommendations.

The Commission is also making sure that EU funding is steered towards EU and national priorities. The European Structural and Investment Funds are the principal investment tools for delivering on the Europe 2020 goals. There is a need to use this funding in conjunction with financial engineering techniques, loans and schemes to facilitate SME financing, in order to enhance the impact on the EU economy. The Juncker Plan's European Fund for Strategic Investments also serves this purpose. In addition, for the long-term budget for the period 2021-2027, the Commission will propose a reform delivery tool which would provide financial support to Member States committing to structural reforms, including those identified in the European Semester.

Effective implementation of structural reforms requires both political will

and adequate administrative capacity. The Commission is providing technical support to the Member States through the Structural Reform Support Service (SRSS). Countries can request from the Commission tailor-made technical support to prepare, design, and implement growth-enhancing structural reforms. This covers reforms in the areas of governance and public administration, public financial management, business environment, labour markets, health and social services, financial sector and access to finance. This year, the SRSS will support reforms in 24 Member States through more than 140 projects, most of them addressing challenges identified in the European Semester. This will bring the total number of support projects to over 440.

In its proposals on the deepening of the Economic and Monetary Union of 6 December 2017, the Commission advocated strengthening this technical support and presented a pilot tool to deliver reform that offers Member States new possibilities for financial support. Building on these initiatives, the Commission will shortly present a new streamlined instrument for the post-2020 multiannual financial framework that will provide both technical and financial support for the implementation of national reform commitments in order to further enhance the resilience of the Economic and Monetary Union.

#### **What should countries do to make public finances more supportive of growth?**

As economic conditions steadily improve, Member States with high levels of debt should rebuild fiscal buffers while Member States with a budget surplus should use the available fiscal space to make their economies more resilient and support growth.

To ensure that public finances are available for medium-to-long-term investment projects, close attention should be paid to their composition. Appropriately allocating public revenues and expenditures across various policy areas would result in a mix more conducive to growth. Further efforts are also needed to make taxation and expenditure more efficient and more effective at all levels of government. Rigorously implemented spending reviews are a useful tool to improve the allocation of taxpayers' money.

The impact of an ageing population on national budget warrants reforms of the pension, healthcare and long-term care systems. These are crucial to ensure the long-term sustainability of public finances as well as adequate and accessible social security and healthcare.

Finally, further efforts are necessary to address high levels of labour taxes while safeguarding the necessary revenue for public policies, to increase incentives to work and support job creation for more vulnerable population groups.

#### **What are the priorities for reform in the financial sector?**

The resilience of the financial sector has been strengthened in a number of Member States since last year, as both the stock and the flows of non-performing loans have been reduced. Steps have been taken to improve the

insolvency framework, to strengthen the supervisory framework and reduce non-performing loans, including through asset management companies. Further actions are recommended in some Member States to strengthen the supervision of the financial sector in those segments that are under the competence of national authorities. The proposals for country-specific recommendations adopted today also point to the remaining large shares of non-performing loans in some EU countries.

Developments in the housing market can have a destabilising impact on the financial sector, requiring action in some Member States. Housing is generally the main asset held by households, and real estate is also routinely used as collateral for loans by companies. Preventing booms and busts would thus increase the resilience of economies to potential shocks, especially if there is correction in housing prices. A number of Member States are recommended to reduce bottlenecks to housing supply. Reducing the debt bias created by the tax system, such as mortgage interest deductibility, would also contribute to decrease high levels of household debt.

### **How can Member States foster productivity growth?**

Investment in infrastructure as well as research and development is essential to boost productivity growth. Ensuring that innovation investment is channelled to the most productive areas requires various steps: regulatory obstacles need to be removed, the business environment improved and entrepreneurship supported.

Priorities vary significantly across Member States.

Digitalisation levels vary considerably across countries in terms of infrastructures or the availability of digital skills. Even those Member States with good overall performance may show significant internal differences across regions.

Strengthening public or private research and development in terms of investment or effectiveness through better targeting is recommended for a number of Member States. Others should promote closer collaboration between business and research institutions.

At the same time, sustained investment in network infrastructure is necessary to lower the cost of starting or operating a business, and interconnections between Member States and regions are crucial to benefit from the full potential of the Single Market.

Reforms to create competitive and dynamic markets would open up new growth opportunities that firms could easily take advantage of in good economic times.

The introduction of ICT technologies has contributed to increasing productivity in some sectors where productivity performance had remained low for many years. Grocery markets and retail banking are good examples of this.

Exposing services markets to competition has also proven to increase productivity in markets where competition was stifled by regulations

restricting entry. Markets for professional services remain a pending issue in this regard in several Member States. Opening these markets to competition is important to increase productivity within them as well as in markets using those services as inputs.

Finally, technological developments are contributing to making productivity growth possible in more areas of the services sector. E-commerce is the clearest best known example of this, but the number is expanding in the ever increasing field of the collaborative economy, for instance.

### **What should Member States do to improve employment?**

Although employment is at a record high in Europe, significant gaps persist in the labour market participation of different population groups. In particular, labour market opportunities and outcomes need to be further improved for the low-skilled, the young, older people, people with disabilities and people with a migrant background.

While targeted measures are needed to tackle specific obstacles to labour market participation for each of these groups, providing access to high-quality and labour market relevant education as well as to training is key for all of them.

In addition, improving care services (childcare as well as healthcare and long-term care services), facilitating work-life balance and removing disincentives to work are important to increase overall participation in the labour market.

### **What should Member States do to improve social inclusion and protection – and to tackle inequalities?**

This Commission renewed the emphasis on social priorities, which are at the heart of the European project. While labour market conditions are improving across the board, further efforts are needed to ensure that all groups benefit from the recovery.

Policy measures should aim to create truly inclusive labour markets. This would contribute to reducing inequalities and poverty risks. Access for all to high-quality education and training is particularly important in this respect. With the right skills, people are better equipped for taking up high-quality jobs and for job transitions when shocks occur. Raising skill levels and preparing our people for the jobs of tomorrow is the first way to address inequalities.

Member States should also tackle the gender gap in terms of employment rate and pay level, often caused by a lack of adequate care services and work-life balance opportunities or disincentives enshrined in the tax and benefit system.

In addition, the impact of social transfers on reducing poverty is weakening in the EU. As a result, tax reforms are needed in some Member States to protect the revenue for adequate social protection and to improve the capacity of the welfare system to reduce poverty and inequalities.

## **What is the role of education for economic growth? Which challenges do Member States need to address?**

Investing in education and skills is essential to sustain innovation and productivity growth, especially in the current context of rapid technological change and an ageing population across Europe. Reskilling and upskilling are key to make labour markets more dynamic and inclusive, so that everyone can participate fully in society or engage in entrepreneurship. Transitions from lower- to higher-skilled career opportunities should be supported, with resolute policy action and adequate investment.

Educational inequality represents a threat to social cohesion and the long-term prosperity of European societies, and is often inherited across generations. Efforts should therefore focus on reducing unequal access to quality education and training, in particular for disadvantaged groups such as Roma, people with a migrant background and people with disabilities.

## **How does the Social Scoreboard for the European Pillar of Social Rights feed into the Semester?**

The Social Scoreboard supports the identification of employment and social challenges faced by Member States in delivering on the principles of the European Pillar of Social Rights. It is used as a screening device that is integrated with a wider analysis at country-specific level. As such, the scoreboard supports the analysis presented in the Joint Employment Report and in the Country Reports, as a key analytical tool.

This year the Country Reports contain a box on the European Pillar of Social Rights reporting on Member States' state of play under the headline Social Scoreboard indicators, according to the methodology developed for the Joint Employment Report. Member States are evaluated according to their performance under the scoreboard dimensions, ranging from "critical situation" to "best performer". All headline and secondary social scoreboard indicators are reported in the statistical annex of the country reports.

The Commission does not apply a strict correspondence between proposed CSRs and challenges identified according to the indicators in the Social Scoreboard. The assessment of each situation is country-specific and based on a number of analytical sources – not only the Social Scoreboard, but also other tools like the Joint Assessment Framework, the Employment Performance Monitor (EPM) and the Social Protection Performance Monitor (SPPM).

## **Why do some countries have more detailed recommendations?**

The level of detail and specificity of an individual country-specific recommendation depends on the specific economic situation of the country concerned. Member States which face more urgent and/or encompassing challenges, such as those experiencing excessive imbalances, receive more detailed and comprehensive recommendations than other Member States.

For Member States where economic performance is overall satisfactory and challenges are more specific, the recommendations are less comprehensive and



detailed.

### **Fiscal development and decisions: what has the Commission decided today?**

Based on the assessment of the 2018 [Stability and Convergence Programmes](#), the Commission has also taken a number of steps under the Stability and Growth Pact:

- The Commission recommends that the [Excessive Deficit Procedure be closed](#) for **France**. This would leave only one Member State (Spain) under the corrective arm of the Pact, down from 24 countries in 2011.
- The Commission also adopted reports for **Belgium** and **Italy** under [Article 126\(3\) TFEU](#), in which it reviews their compliance with the debt criterion of the Treaty. In the case of Italy, the analysis suggests that the debt criterion should be considered as currently complied with, notably as Italy was found broadly compliant with the preventive arm of the Pact in 2017. For Belgium, as there is no sufficiently robust evidence to conclude that Belgium did not comply with the preventive arm requirements, the report could not fully conclude as to whether the debt criterion is or is not complied with. The Commission will reassess next year the two countries' compliance with the Stability and Growth Pact on the basis of the ex-post data for 2018, to be notified in Spring 2019.
- The Commission addressed a warning to **Hungary** and **Romania** on the existence of a significant deviation from the adjustment path toward the medium-term budgetary objective (MTO) in 2017. The Commission proposes that the Council adopt a recommendation for Hungary to take appropriate measures in 2018 with a view to correcting this significant deviation. For Romania, which is already [subject to a significant deviation procedure](#), the Commission recommends that the Council issue a decision on non-effective action and a recommendation to take measures in 2018 and 2019 to correct the significant deviation.
- The Commission also publishes today its [Opinion](#) of the updated Draft Budgetary Plan (DBP) for **Spain**, as the one submitted last October was based on a "no policy change" scenario. The Commission considers the updated Draft Budgetary Plan is broadly compliant with the requirements under the Stability and Growth Pact, since the Commission's Spring 2018 Economic Forecast projects that Spain's headline deficit will be below the Treaty reference value of 3% of GDP in 2018. Nonetheless, the Opinion notes that neither the headline deficit target nor the fiscal effort called for in the 2016 Council notice are projected to be met this year.

### **Why is the Commission recommending that the Council closes the excessive deficit procedures (EDP) for France?**

France achieved a headline deficit of 2.6% of GDP in 2017, thus fulfilling the EDP target of 2.8%. The deficit is projected to decline further to 2.3% in 2018 before increasing to 2.8% in 2019. This points to a durable and timely correction of the excessive deficit as required to close the EDP.

## **When will France move to the preventive arm of the Stability and Growth Pact?**

EU finance ministers are expected to discuss the Commission's recommendations in the Economic and Financial Affairs Council (ECOFIN) next month. If the ECOFIN Council decides to abrogate the EDP, France will move from the corrective to the preventive arm of the Stability and Growth Pact (SGP) as of 2018.

Under the preventive arm of the SGP, France should progress towards its medium-term budgetary objective at an appropriate pace, including respecting the expenditure benchmark, while complying with the deficit and debt criteria. France would have to comply with the rules of the SGP's preventive arm as of this year.

## **How many Member States are currently in an excessive deficit procedure?**

If the Council follows the Commission's Recommendation for closing the EDP for France, only Spain would remain in EDP. In spring 2011, 24 Member States were in EDP.

## **What is a report under Article 126(3) of the Treaty?**

The Article 126(3) report represents the first step in assessing the case for launching a possible Excessive Deficit Procedure. It assesses the Member State's deficit and/or debt position. A Member State is non-compliant with the deficit requirement if its general government deficit is above 3% of GDP, unless the excess over the reference value is only exceptional and temporary and the deficit ratio remains close to the reference value. As regards debt, the criterion for non-compliance is a general government debt level greater than 60% of GDP and not declining at a satisfactory pace.

The SGP defines a satisfactory pace as a reduction of the gap between a country's debt ratio and the 60% of GDP reference value of the Treaty by 1/20th annually on average over three years. If a Member State does not meet one or both of the criteria, the Commission prepares a report under Article 126(3) of the Treaty, which considers in detail a series of factors and assesses the case for opening an EDP.

## **Why is the Commission recommending that the Council opens the Significant Deviation Procedure for Hungary and Romania?**

Based on the Commission 2018 Spring forecast and the 2017 outturn data validated by Eurostat, the observed deviation from the required structural adjustment path in 2017 was above the threshold of significance of 0.5% of GDP according to both indicators in both countries.

In Hungary, the growth of government expenditure, net of discretionary revenue measures and one-offs, was well above the applicable expenditure benchmark rate in 2017, pointing to a significant deviation from the required structural adjustment. In 2017, from a position of -1.8% of GDP in 2016, the structural balance deteriorated to -3.1% of GDP, also pointing to a significant deviation. An overall assessment leads to the conclusion that the observed deviation from the medium-term budgetary objective (MTO) in 2017 is

significant.

In case of Romania, on 16 June 2017, the Council decided that a significant observed deviation from the MTO occurred in Romania in 2016. On 5 December 2017 the Council found that Romania had not taken effective action in response to that recommendation concerning 2017. In 2017, the growth of net primary government expenditure was well above the expenditure benchmark, pointing to a significant deviation. The structural balance deteriorated to -3.3% of GDP from a position of -2.1% of GDP in 2016, also pointing to a significant deviation from the recommended structural adjustment. An overall assessment leads to the conclusion that the observed deviation from the requirements of the preventive arm of the SGP in 2017 is significant.

### **What is the follow-up if a significant deviation is confirmed for 2017 for Hungary and/or Romania?**

In the event of a significant observed deviation from the adjustment path towards the medium-term budgetary objective (MTO) in a Member State, a warning is addressed to that Member State. Within one month of the date of the adoption of the warning, the Council should address a recommendation to the Member State concerned to take the necessary policy measures to correct the significant observed deviation. The regulation foresees that the recommendation will set a deadline of no more than five months for the Member State to address the deviation. Within that deadline, the Member State should report to the Council on action taken in response to this recommendation.

### **Why is the Commission publishing today an assessment of the updated Draft Budgetary Plan (DBP) for Spain?**

The Draft Budgetary Plan submitted by Spain last October was based on a “no policy change” scenario. Spain submitted a fully-fledged Draft Budgetary Plan in April 2018 with additional policy measures.

### **Why is the Commission adopting a [Communication on the review of the flexibility under the Stability and Growth Pact](#)?**

At the start of 2015, the Commission adopted a Communication on “Making the Best Use of the Flexibility within the Stability and Growth Pact”. Building on this Communication and following extensive discussions between the Commission and Member States, a Commonly Agreed Position on Flexibility was achieved (and endorsed by the ECOFIN Council in February 2016).

The use of Flexibility in the Stability and Growth Pact was enhanced along three axes:

- The structural reform clause
- The investment clause
- The matrix of requirements, which allows for a more nuanced modulation of fiscal effort at national level depending on public debt and the business cycle.

The Commonly Agreed Position on Flexibility required the Commission to review the application of the structural reform clause and investment clause by the

end of June 2018. Thus, the Commission is adopting the Communication on Flexibility under the Stability and Growth Pact in line with this requirement.

### **What are the main findings of the review of the flexibility under the Stability and Growth Pact?**

The review shows that the key objectives of the Commonly Agreed Position on Flexibility have been met to a large extent. It provides a predictable and transparent framework that has allowed the Commission to apply the existing rules of the Pact in a country-specific and balanced manner.

The flexibility allowed under the Pact has allowed striking a good balance between the objective of ensuring prudent fiscal policy and stabilising the economy. The European Commission spring forecast 2018 shows that public debt and deficits declined, while economic activity picked up since 2016.

The cyclical modulation encourages Member States to increase their fiscal effort in good times to make our economies more resilient. With the economic expansion in Europe in its fifth year, the time is ripe to build up fiscal buffers, which would give Member States more manoeuvring space in the next downturn.

### **What are the next steps in the implementation of the budgetary decisions?**

The Council is invited to adopt the Commission's Recommendations:

- on closing the Excessive Deficit Procedure (EDP) for France
- on issuing a decision on non-effective action on the Significant Deviation Procedure open for Romania
- on opening a Significant Deviation Procedure for Hungary and Romania

The Economic and Financial Committee (EFC) will provide its opinion on the Article 126(3) reports for Belgium and Italy within two weeks.

The Commission assesses compliance with the SGP continuously throughout the year as part of the European Semester of economic policy coordination.

### **For further information:**

[Press release on the European Semester 2018 Spring Package](#)

[Chapeau Communication on the country-specific recommendations 2018](#)

[Country-specific recommendations 2018](#)

[Excessive Deficit Procedure for France](#)

[Significant Deviation Procedure for Hungary](#)

[Significant Deviation Procedure for Romania](#)

[Article 126.3 report for Belgium](#)

[Article 126.3 report for Italy](#)

[Opinion on the updated Spanish Draft Budgetary Plan](#)

[Key employment and social figures factsheet](#)

[2018 Convergence Report press release](#)

[European Economic Forecast Spring 2018](#)

[European Semester timeline](#)

[Recommendation for the Euro Area 2018](#)

[European Semester Winter Package 2018](#)

[Communication on Country Reports 2018](#)

[Country Reports 2018](#)

[European Semester Autumn 2017 Package: Striving for sustainable and inclusive growth](#)

[Alert Mechanism Report 2018](#)

[Annual Growth Survey 2018](#)

[European Pillar of Social Rights](#)

[The EU Economic Governance Explained](#)

[Commonly Agreed Position on Flexibility under the SGP](#)

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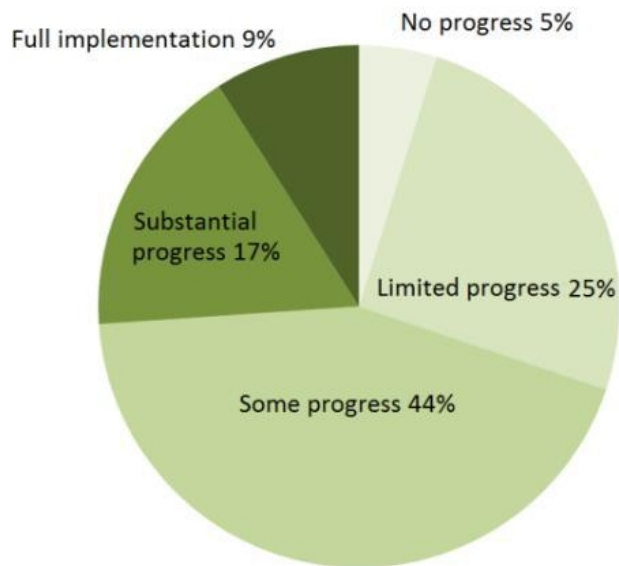


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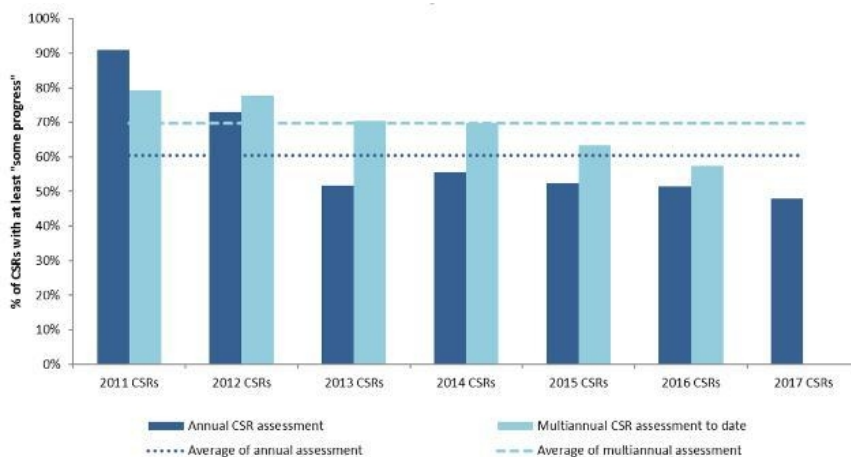
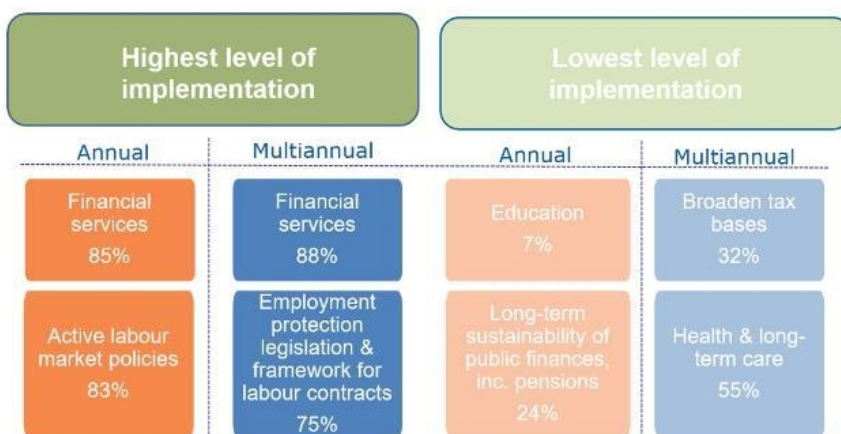


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The continuous policy dialogue with Member States has intensified over the past few years. Like last year, we have consulted Member States on the analytical parts of their Country Reports prior to publication. In recent months, we have conducted additional consultations with national authorities and stakeholders on how the key challenges identified could translate into country-specific recommendations.

The Commission is also making sure that EU funding is steered towards EU and national priorities. The European Structural and Investment Funds are the principal investment tools for delivering on the Europe 2020 goals. There is a need to use this funding in conjunction with financial engineering techniques, loans and schemes to facilitate SME financing, in order to enhance the impact on the EU economy. The Juncker Plan's European Fund for Strategic Investments also serves this purpose. In addition, for the long-term budget for the period 2021-2027, the Commission will propose a reform delivery tool which would provide financial support to Member States committing to structural reforms, including those identified in the European Semester.

Effective implementation of structural reforms requires both political will and adequate administrative capacity. The Commission is providing technical support to the Member States through the Structural Reform Support Service (SRSS). Countries can request from the Commission tailor-made technical support to prepare, design, and implement growth-enhancing structural reforms. This covers reforms in the areas of governance and public administration, public financial management, business environment, labour markets, health and social services, financial sector and access to finance. This year, the SRSS will support reforms in 24 Member States through more than 140 projects, most of them addressing challenges identified in the European Semester. This will bring the total number of support projects to over 440.

In its proposals on the deepening of the Economic and Monetary Union of 6 December 2017, the Commission advocated strengthening this technical

support and presented a pilot tool to deliver reform that offers Member States new possibilities for financial support. Building on these initiatives, the Commission will shortly present a new streamlined instrument for the post-2020 multiannual financial framework that will provide both technical and financial support for the implementation of national reform commitments in order to further enhance the resilience of the Economic and Monetary Union.

### **What should countries do to make public finances more supportive of growth?**

As economic conditions steadily improve, Member States with high levels of debt should rebuild fiscal buffers while Member States with a budget surplus should use the available fiscal space to make their economies more resilient and support growth.

To ensure that public finances are available for medium-to-long-term investment projects, close attention should be paid to their composition. Appropriately allocating public revenues and expenditures across various policy areas would result in a mix more conducive to growth. Further efforts are also needed to make taxation and expenditure more efficient and more effective at all levels of government. Rigorously implemented spending reviews are a useful tool to improve the allocation of taxpayers' money.

The impact of an ageing population on national budget warrants reforms of the pension, healthcare and long-term care systems. These are crucial to ensure the long-term sustainability of public finances as well as adequate and accessible social security and healthcare.

Finally, further efforts are necessary to address high levels of labour taxes while safeguarding the necessary revenue for public policies, to increase incentives to work and support job creation for more vulnerable population groups.

### **What are the priorities for reform in the financial sector?**

The resilience of the financial sector has been strengthened in a number of Member States since last year, as both the stock and the flows of non-performing loans have been reduced. Steps have been taken to improve the insolvency framework, to strengthen the supervisory framework and reduce non-performing loans, including through asset management companies. Further actions are recommended in some Member States to strengthen the supervision of the financial sector in those segments that are under the competence of national authorities. The proposals for country-specific recommendations adopted today also point to the remaining large shares of non-performing loans in some EU countries.

Developments in the housing market can have a destabilising impact on the financial sector, requiring action in some Member States. Housing is generally the main asset held by households, and real estate is also routinely used as collateral for loans by companies. Preventing booms and busts would thus increase the resilience of economies to potential shocks, especially if there is correction in housing prices. A number of Member

States are recommended to reduce bottlenecks to housing supply. Reducing the debt bias created by the tax system, such as mortgage interest deductibility, would also contribute to decrease high levels of household debt.

### **How can Member States foster productivity growth?**

Investment in infrastructure as well as research and development is essential to boost productivity growth. Ensuring that innovation investment is channelled to the most productive areas requires various steps: regulatory obstacles need to be removed, the business environment improved and entrepreneurship supported.

Priorities vary significantly across Member States.

Digitalisation levels vary considerably across countries in terms of infrastructures or the availability of digital skills. Even those Member States with good overall performance may show significant internal differences across regions.

Strengthening public or private research and development in terms of investment or effectiveness through better targeting is recommended for a number of Member States. Others should promote closer collaboration between business and research institutions.

At the same time, sustained investment in network infrastructure is necessary to lower the cost of starting or operating a business, and interconnections between Member States and regions are crucial to benefit from the full potential of the Single Market.

Reforms to create competitive and dynamic markets would open up new growth opportunities that firms could easily take advantage of in good economic times.

The introduction of ICT technologies has contributed to increasing productivity in some sectors where productivity performance had remained low for many years. Grocery markets and retail banking are good examples of this.

Exposing services markets to competition has also proven to increase productivity in markets where competition was stifled by regulations restricting entry. Markets for professional services remain a pending issue in this regard in several Member States. Opening these markets to competition is important to increase productivity within them as well as in markets using those services as inputs.

Finally, technological developments are contributing to making productivity growth possible in more areas of the services sector. E-commerce is the clearest best known example of this, but the number is expanding in the ever increasing field of the collaborative economy, for instance.

### **What should Member States do to improve employment?**

Although employment is at a record high in Europe, significant gaps persist in the labour market participation of different population groups. In

particular, labour market opportunities and outcomes need to be further improved for the low-skilled, the young, older people, people with disabilities and people with a migrant background.

While targeted measures are needed to tackle specific obstacles to labour market participation for each of these groups, providing access to high-quality and labour market relevant education as well as to training is key for all of them.

In addition, improving care services (childcare as well as healthcare and long-term care services), facilitating work-life balance and removing disincentives to work are important to increase overall participation in the labour market.

### **What should Member States do to improve social inclusion and protection – and to tackle inequalities?**

This Commission renewed the emphasis on social priorities, which are at the heart of the European project. While labour market conditions are improving across the board, further efforts are needed to ensure that all groups benefit from the recovery.

Policy measures should aim to create truly inclusive labour markets. This would contribute to reducing inequalities and poverty risks. Access for all to high-quality education and training is particularly important in this respect. With the right skills, people are better equipped for taking up high-quality jobs and for job transitions when shocks occur. Raising skill levels and preparing our people for the jobs of tomorrow is the first way to address inequalities.

Member States should also tackle the gender gap in terms of employment rate and pay level, often caused by a lack of adequate care services and work-life balance opportunities or disincentives enshrined in the tax and benefit system.

In addition, the impact of social transfers on reducing poverty is weakening in the EU. As a result, tax reforms are needed in some Member States to protect the revenue for adequate social protection and to improve the capacity of the welfare system to reduce poverty and inequalities.

### **What is the role of education for economic growth? Which challenges do Member States need to address?**

Investing in education and skills is essential to sustain innovation and productivity growth, especially in the current context of rapid technological change and an ageing population across Europe. Reskilling and upskilling are key to make labour markets more dynamic and inclusive, so that everyone can participate fully in society or engage in entrepreneurship. Transitions from lower- to higher-skilled career opportunities should be supported, with resolute policy action and adequate investment.

Educational inequality represents a threat to social cohesion and the long-term prosperity of European societies, and is often inherited across

generations. Efforts should therefore focus on reducing unequal access to quality education and training, in particular for disadvantaged groups such as Roma, people with a migrant background and people with disabilities.

### **How does the Social Scoreboard for the European Pillar of Social Rights feed into the Semester?**

The Social Scoreboard supports the identification of employment and social challenges faced by Member States in delivering on the principles of the European Pillar of Social Rights. It is used as a screening device that is integrated with a wider analysis at country-specific level. As such, the scoreboard supports the analysis presented in the Joint Employment Report and in the Country Reports, as a key analytical tool.

This year the Country Reports contain a box on the European Pillar of Social Rights reporting on Member States' state of play under the headline Social Scoreboard indicators, according to the methodology developed for the Joint Employment Report. Member States are evaluated according to their performance under the scoreboard dimensions, ranging from "critical situation" to "best performer". All headline and secondary social scoreboard indicators are reported in the statistical annex of the country reports.

The Commission does not apply a strict correspondence between proposed CSRs and challenges identified according to the indicators in the Social Scoreboard. The assessment of each situation is country-specific and based on a number of analytical sources – not only the Social Scoreboard, but also other tools like the Joint Assessment Framework, the Employment Performance Monitor (EPM) and the Social Protection Performance Monitor (SPPM).

### **Why do some countries have more detailed recommendations?**

The level of detail and specificity of an individual country-specific recommendation depends on the specific economic situation of the country concerned. Member States which face more urgent and/or encompassing challenges, such as those experiencing excessive imbalances, receive more detailed and comprehensive recommendations than other Member States.

For Member States where economic performance is overall satisfactory and challenges are more specific, the recommendations are less comprehensive and detailed.

### **Fiscal development and decisions: what has the Commission decided today?**

Based on the assessment of the 2018 [Stability and Convergence Programmes](#), the Commission has also taken a number of steps under the Stability and Growth Pact:

- The Commission recommends that the [Excessive Deficit Procedure be closed](#) for **France**. This would leave only one Member State (Spain) under the corrective arm of the Pact, down from 24 countries in 2011.
- The Commission also adopted reports for **Belgium** and **Italy** under [Article 126\(3\) TFEU](#), in which it reviews their compliance with the debt

criterion of the Treaty. In the case of Italy, the analysis suggests that the debt criterion should be considered as currently complied with, notably as Italy was found broadly compliant with the preventive arm of the Pact in 2017. For Belgium, as there is no sufficiently robust evidence to conclude that Belgium did not comply with the preventive arm requirements, the report could not fully conclude as to whether the debt criterion is or is not complied with. The Commission will reassess next year the two countries' compliance with the Stability and Growth Pact on the basis of the ex-post data for 2018, to be notified in Spring 2019.

- The Commission addressed a warning to **Hungary** and **Romania** on the existence of a significant deviation from the adjustment path toward the medium-term budgetary objective (MTO) in 2017. The Commission proposes that the Council adopt a recommendation for Hungary to take appropriate measures in 2018 with a view to correcting this significant deviation. For Romania, which is already [subject to a significant deviation procedure](#), the Commission recommends that the Council issue a decision on non-effective action and a recommendation to take measures in 2018 and 2019 to correct the significant deviation.
- The Commission also publishes today its [Opinion](#) of the updated Draft Budgetary Plan (DBP) for **Spain**, as the one submitted last October was based on a “no policy change” scenario. The Commission considers the updated Draft Budgetary Plan is broadly compliant with the requirements under the Stability and Growth Pact, since the Commission's Spring 2018 Economic Forecast projects that Spain's headline deficit will be below the Treaty reference value of 3% of GDP in 2018. Nonetheless, the Opinion notes that neither the headline deficit target nor the fiscal effort called for in the 2016 Council notice are projected to be met this year.

### **Why is the Commission recommending that the Council closes the excessive deficit procedures (EDP) for France?**

France achieved a headline deficit of 2.6% of GDP in 2017, thus fulfilling the EDP target of 2.8%. The deficit is projected to decline further to 2.3% in 2018 before increasing to 2.8% in 2019. This points to a durable and timely correction of the excessive deficit as required to close the EDP.

### **When will France move to the preventive arm of the Stability and Growth Pact?**

EU finance ministers are expected to discuss the Commission's recommendations in the Economic and Financial Affairs Council (ECOFIN) next month. If the ECOFIN Council decides to abrogate the EDP, France will move from the corrective to the preventive arm of the Stability and Growth Pact (SGP) as of 2018.

Under the preventive arm of the SGP, France should progress towards its medium-term budgetary objective at an appropriate pace, including respecting the expenditure benchmark, while complying with the deficit and debt criteria. France would have to comply with the rules of the SGP's preventive arm as of this year.

## **How many Member States are currently in an excessive deficit procedure?**

If the Council follows the Commission's Recommendation for closing the EDP for France, only Spain would remain in EDP. In spring 2011, 24 Member States were in EDP.

## **What is a report under Article 126(3) of the Treaty?**

The Article 126(3) report represents the first step in assessing the case for launching a possible Excessive Deficit Procedure. It assesses the Member State's deficit and/or debt position. A Member State is non-compliant with the deficit requirement if its general government deficit is above 3% of GDP, unless the excess over the reference value is only exceptional and temporary and the deficit ratio remains close to the reference value. As regards debt, the criterion for non-compliance is a general government debt level greater than 60% of GDP and not declining at a satisfactory pace.

The SGP defines a satisfactory pace as a reduction of the gap between a country's debt ratio and the 60% of GDP reference value of the Treaty by 1/20th annually on average over three years. If a Member State does not meet one or both of the criteria, the Commission prepares a report under Article 126(3) of the Treaty, which considers in detail a series of factors and assesses the case for opening an EDP.

## **Why is the Commission recommending that the Council opens the Significant Deviation Procedure for Hungary and Romania?**

Based on the Commission 2018 Spring forecast and the 2017 outturn data validated by Eurostat, the observed deviation from the required structural adjustment path in 2017 was above the threshold of significance of 0.5% of GDP according to both indicators in both countries.

In Hungary, the growth of government expenditure, net of discretionary revenue measures and one-offs, was well above the applicable expenditure benchmark rate in 2017, pointing to a significant deviation from the required structural adjustment. In 2017, from a position of -1.8% of GDP in 2016, the structural balance deteriorated to -3.1% of GDP, also pointing to a significant deviation. An overall assessment leads to the conclusion that the observed deviation from the medium-term budgetary objective (MTO) in 2017 is significant.

In case of Romania, on 16 June 2017, the Council decided that a significant observed deviation from the MTO occurred in Romania in 2016. On 5 December 2017 the Council found that Romania had not taken effective action in response to that recommendation concerning 2017. In 2017, the growth of net primary government expenditure was well above the expenditure benchmark, pointing to a significant deviation. The structural balance deteriorated to -3.3% of GDP from a position of -2.1% of GDP in 2016, also pointing to a significant deviation from the recommended structural adjustment. An overall assessment leads to the conclusion that the observed deviation from the requirements of the preventive arm of the SGP in 2017 is significant.

## **What is the follow-up if a significant deviation is confirmed for 2017 for Hungary and/or Romania?**

In the event of a significant observed deviation from the adjustment path towards the medium-term budgetary objective (MTO) in a Member State, a warning is addressed to that Member State. Within one month of the date of the adoption of the warning, the Council should address a recommendation to the Member State concerned to take the necessary policy measures to correct the significant observed deviation. The regulation foresees that the recommendation will set a deadline of no more than five months for the Member State to address the deviation. Within that deadline, the Member State should report to the Council on action taken in response to this recommendation.

## **Why is the Commission publishing today an assessment of the updated Draft Budgetary Plan (DBP) for Spain?**

The Draft Budgetary Plan submitted by Spain last October was based on a “no policy change” scenario. Spain submitted a fully-fledged Draft Budgetary Plan in April 2018 with additional policy measures.

## **Why is the Commission adopting a [Communication on the review of the flexibility under the Stability and Growth Pact](#)?**

At the start of 2015, the Commission adopted a Communication on “Making the Best Use of the Flexibility within the Stability and Growth Pact”. Building on this Communication and following extensive discussions between the Commission and Member States, a Commonly Agreed Position on Flexibility was achieved (and endorsed by the ECOFIN Council in February 2016).

The use of Flexibility in the Stability and Growth Pact was enhanced along three axes:

- The structural reform clause
- The investment clause
- The matrix of requirements, which allows for a more nuanced modulation of fiscal effort at national level depending on public debt and the business cycle.

The Commonly Agreed Position on Flexibility required the Commission to review the application of the structural reform clause and investment clause by the end of June 2018. Thus, the Commission is adopting the Communication on Flexibility under the Stability and Growth Pact in line with this requirement.

## **What are the main findings of the review of the flexibility under the Stability and Growth Pact?**

The review shows that the key objectives of the Commonly Agreed Position on Flexibility have been met to a large extent. It provides a predictable and transparent framework that has allowed the Commission to apply the existing rules of the Pact in a country-specific and balanced manner.

The flexibility allowed under the Pact has allowed striking a good balance



between the objective of ensuring prudent fiscal policy and stabilising the economy. The European Commission spring forecast 2018 shows that public debt and deficits declined, while economic activity picked up since 2016.

The cyclical modulation encourages Member States to increase their fiscal effort in good times to make our economies more resilient. With the economic expansion in Europe in its fifth year, the time is ripe to build up fiscal buffers, which would give Member States more manoeuvring space in the next downturn.

### **What are the next steps in the implementation of the budgetary decisions?**

The Council is invited to adopt the Commission's Recommendations:

- on closing the Excessive Deficit Procedure (EDP) for France
- on issuing a decision on non-effective action on the Significant Deviation Procedure open for Romania
- on opening a Significant Deviation Procedure for Hungary and Romania

The Economic and Financial Committee (EFC) will provide its opinion on the Article 126(3) reports for Belgium and Italy within two weeks.

The Commission assesses compliance with the SGP continuously throughout the year as part of the European Semester of economic policy coordination.

### **For further information:**

[Press release on the European Semester 2018 Spring Package](#)

[Chapeau Communication on the country-specific recommendations 2018](#)

[Country-specific recommendations 2018](#)

[Excessive Deficit Procedure for France](#)

[Significant Deviation Procedure for Hungary](#)

[Significant Deviation Procedure for Romania](#)

[Article 126.3 report for Belgium](#)

[Article 126.3 report for Italy](#)

[Opinion on the updated Spanish Draft Budgetary Plan](#)

[Key employment and social figures factsheet](#)

[2018 Convergence Report press release](#)

[European Economic Forecast Spring 2018](#)

[European Semester timeline](#)

[Recommendation for the Euro Area 2018](#)

[European Semester Winter Package 2018](#)

[Communication on Country Reports 2018](#)

[Country Reports 2018](#)

[European Semester Autumn 2017 Package: Striving for sustainable and inclusive growth](#)

[Alert Mechanism Report 2018](#)

[Annual Growth Survey 2018](#)

[European Pillar of Social Rights](#)

[The EU Economic Governance Explained](#)

[Commonly Agreed Position on Flexibility under the SGP](#)

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## [Daily News 22 / 05 / 2018](#)

### **Building a stronger Europe: new initiatives to further boost role of youth, education and culture policies**

Following the presentation of a first set of measures in January, the Commission tables today a second package of initiatives to advance work on the [European Education Area by 2025](#), reinforce the cultural dimension of the European Union and bolster youth participation. The initiatives aim to enhance learning mobility and educational opportunities, empower young people, in particular to encourage them to participate in civic and democratic life, and harness the potential of culture for social progress and economic growth in Europe. Jyrki **Katainen**, Vice-President of the Commission for Jobs, Growth, Investment and Competitiveness, said: *“Following last year’s Leaders Agenda meeting on education, culture and training at the [Gothenburg Social Summit](#) and in follow up to the [December European Council conclusions](#), the Commission swiftly presented a number of initiatives. Today, we take a second step focusing on further learning mobility, youth, early childhood education, learning of foreign languages and culture – all important building blocks for the future of Europe.”* Commissioner for Education, Culture, Youth and Sport, Tibor **Navracsics**, said: *“Education,*

*culture and youth policy have a central role in building a resilient, competitive and cohesive Europe for the future. Along with the first package adopted in January, the proposals we are putting forward today will help to pave the way towards the European Education Area while strengthening a European identity and empowering people, especially young people.”* A full [press release](#), a [Q&A](#), three factsheets on [education](#), [youth](#) and [culture](#) as well as initial [results of a new Eurobarometer on the European Education Area](#) are published online. (For more information: Nathalie Vandystadt – Tel.: [+32 229 67083](#); Joseph Waldstein – Tel: [+32 2 29 56184](#))

## **Commission welcomes green light to start trade negotiations with Australia and New Zealand**

The Council adopted today negotiating directives for free trade agreements with Australia and New Zealand. The preparations – which included an impact assessment for both agreements– are now complete and formal negotiations can begin. President of the European Commission, Jean-Claude **Juncker** said: “*These agreements will build on the recent successful agreements with Canada, Japan, Singapore, Vietnam, as well as Mexico among others, expanding the alliance of partners committed to open and rules-based global trade. Open trade must go hand in hand with open and inclusive policy making. That’s why the Commission published the [draft negotiating mandates with Australia](#) and [New Zealand](#) when it proposed to the Council to open these negotiations. These agreements will be negotiated in the greatest transparency and we expect Member States to uphold this high level of transparency.*” Commissioner for Trade Cecilia **Malmström** said: “*We look forward to adding Australia and New Zealand to the EU’s ever-growing circle of close trading partners. We are already close in terms of shared values and our open, global outlook. Together, we will now negotiate win-win trade deals that create new opportunities for our businesses, as well as safeguard high standards in key areas such as sustainable development. I am looking forward to visiting Canberra and Wellington in the coming weeks to officially launch our negotiations. Starting these talks between likeminded partners sends a strong signal at a time where many are taking the easy road of protectionism.*” Australia and New Zealand are important allies. Despite the distance, trade between the EU and these two countries is already roughly the same as with Mexico or Canada. Following Commissioner **Malmström**’s June visits to both countries to launch talks at the political level, the first formal negotiation rounds are envisaged to take place in Brussels in July. For more information see the [press release](#), [the factsheet](#), the impact assessments ([Australia](#), [New Zealand](#)) and the webpages dedicated to [EU-Australia](#) and [EU-New-Zealand](#) trade relations. (For more information: Daniel Rosario – Tel.: +32 229 56185; Kinga Malinowska – Tel.: +32 229 51383)

## **EU mobilises international support for The Gambia**

A total of €1.45 billion was mobilised by the International Conference for The Gambia, co-chaired by The Gambia and the European Union. The reinforced political and financial support by the international community will assist The Gambia in continuing its democratic transition, building on strong democratic institutions, the respect of human rights and the rule of law, and sustainable and shared economic growth. The EU alone increased its support by

€140 million, raising the total of its development assistance to €365 million for the period 2017-2020. High Representative/Vice-President Federica **Mogherini**, who co-chaired the conference together with the President of The Gambia, Adama **Barrow**, in Brussels today, said: *“The Gambia is showing to the world that freedom and democracy are about real people and real lives. After the presidential election in 2016, neighbours and the international community stood with the Gambian people. We stood on the side of freedom and democracy. Two years on, we continue to stand by your side. Today the EU is proud to announce €140 million to invest in opportunities for the Gambian people and further strengthen democracy”*. Commissioner for International Cooperation and Development, Neven **Mimica**, added: *“When people of a country decide to overturn a two-decades long dictatorship, this is a choice to commend. This is what happened in The Gambia one year and a half ago. When new authorities commit to profoundly reform the country and put it on the path of democracy and development, the international community has to answer their call. This is what happened today in Brussels. Out of the €1.45 billion that were pledged today, the EU has committed additional funding of €140 million until 2020, which adds to the €225 million mobilised since the beginning of the transition in 2017. Because nothing is more important today than showing to the people of The Gambia that democracy brings quick and tangible dividends.”* The full [press release](#), a [factsheet](#) and [HR/VP Mogherini’s opening remarks at the Conference](#) are available online. (For more information: Carlos Martin Ruiz De Gordejuela – Tel.: +32 229 65322; Christina Wunder – Tel.: +32 229 92256; Daniel Puglisi – Tel.: +32 229 69140)

### **Juncker Plan: €100 million under Investment Plan for energy efficient homes in Germany**

The European Investment Bank (EIB) has signed a €100 million long-term loan with Vivawest, a German real estate company, to build 900 energy efficient homes in North Rhine-Westphalia. The loan is backed by the European Fund for Strategic Investments (EFSI), the heart of the Juncker Plan. The overall investment expected to be triggered by this EIB loan is more than €250 million. European Commission Vice-President Jyrki **Katainen** said: *“I am delighted that the European Fund for Strategic Investments continues to target investments in the low carbon economy across the EU. This new agreement with Vivawest will benefit many thousands of local residents in the form of energy-efficient homes while having a tangible positive effect on the environment.”* (Full press release is found [here](#). For more information: Christian Spahr – Tel.: +32 229 50055; Siobhán Millbright – Tel.: +32 229 57361)

### **Festival de Cannes 2018: Les films soutenus par l’UE mis à l’honneur dans le palmarès**

L’édition 2018 du [Festival de Cannes](#) s’est achevée en mettant à l’honneur les films cofinancés par [MEDIA](#), le programme de l’UE de soutien au secteur audiovisuel. Trois films ont été récompensés dans la sélection officielle: le prix de la mise en scène remis à Pawel Pawlikowski pour le film [Zimna Wojna](#)/Cold War (Pologne, France, UK), le prix du meilleur scénario pour [Lazzaro Felice](#)/Happy as Lazzaro d’Alice Rohrwacher (Italie, Suisse, France, Allemagne) et le prix d’interprétation masculine pour [Dogman](#) de Matteo

Garrone (Italie, France). Cette année, au total 18 films présentés au Festival de Cannes et dans ses sélections parallèles ont été développés ou distribués avec le soutien du programme Europe Créative-MEDIA. Depuis 1991, l'UE a investi plus de 2,5 milliards d'euros dans le secteur audiovisuel. En marge du Festival, le projet annoncé par la Commissaire Mariya **Gabriel**, chargée de l'économie et de la société numériques, de créer [un répertoire en ligne](#) des films européens a reçu un large soutien de la part du secteur audiovisuel. [En signant un manifeste](#), de nombreuses organisations se sont engagées à donner plus de visibilité aux films européens en facilitant la mise en place de données fiables et disponibles dans les services de vidéos à la demande dans les différents États membres de l'UE. Un projet pilote sera présenté en octobre 2018. Plus d'informations sont disponibles [ici](#) et [ici](#), ainsi que dans une [brochure](#) et une [fiche d'informations](#). (Pour plus d'informations: Nathalie Vandystadt – Tél .: +32 229 67083 ; Inga Höglund Tél .: +32 229 50698)

### **Circular Economy: New rules will make EU the global front-runner in waste management and recycling**

Today Member States of the European Union approved a set of ambitious measures to make EU waste legislation fit for the future, as part of the EU's wider circular economy policy. The new rules – part of the Juncker Commission's proposal towards a Circular Economy [presented](#) in December 2015 – will help to prevent waste and, where this is not possible, significantly step up recycling of municipal and packaging waste. It will phase out landfilling and promote the use of economic instruments, such as Extended Producer Responsibility schemes. The new legislation strengthens the "waste hierarchy", i.e. it requires Member States to take specific measures to prioritize prevention, re-use and recycling above landfilling and incineration, thus making the circular economy a reality. Commissioner **Vella** said: *"The new recycling and landfilling targets set a credible and ambitious path for better waste management in Europe. Our main task now is to ensure that the promises enshrined in this waste package are delivered on the ground. The Commission will do all it can to support Member States and make the new legislation deliver on the ground."* Details on the new targets available [here](#). (For more information: Enrico Brivio – Tel.: +32 229 56172; Iris Petsa – Tel.: +32 229 93321)

### **Agriculture biologique: la Commission salue l'adoption des nouvelles règles**

A la suite du Parlement européen, les États membres ont aujourd'hui formellement adopté au sein du Conseil les nouvelles règles pour l'agriculture biologique qui bénéficiera ainsi d'un cadre légal simplifié couvrant tous les producteurs, qu'ils soient de l'Union européenne ou de pays tiers exportant dans l'Union européenne. Le Commissaire à l'agriculture Phil **Hogan** a salué l'adoption du nouveau règlement sur le bio: *"L'adoption de de jour marque l'accomplissement d'un grand travail et de beaucoup de patience. L'approbation par le Conseil du nouveau règlement permet aux producteurs biologiques existants et potentiels de s'organiser en toute confiance et certitude sur la base des nouvelles règles qui entreront en*

vigueur le 1er janvier 2021. Le secteur biologique n'a cessé de gagner en importance – une croissance de 125% au cours des dix dernières années – mais cette croissance risquait d'être compromise par des règles qui n'étaient plus adaptées à l'usage prévu. L'un des grands succès de la politique agricole commune a été sa capacité à s'adapter aux nouveaux défis et opportunités. Le secteur biologique européen est sur une trajectoire ascendante et ce règlement soutiendra la croissance du secteur en fournissant un cadre législatif approprié. Les producteurs, les opérateurs et les partenaires commerciaux ont maintenant deux ans et demi pour s'adapter au nouveau cadre législatif qui vise également à protéger les intérêts du consommateur européen. “ Le nouveau règlement sera formellement signé par le Parlement et le Conseil le 30 mai et entrera en vigueur le 1<sup>er</sup> janvier 2021. La [déclaration complète](#) du Commissaire **Hogan** est en ligne, ainsi qu'une [foire à questions](#) sur les nouvelles règles. Une [fiche visuelle d'information](#) est également disponible. (Pour plus d'informations: Daniel Rosario – Tel: +32 229 56 185; Clemence Robin – Tel.: +32 229 52509)

### **Mergers: Commission clears acquisition of Egyptian joint venture by Cargill and ADM**

The European Commission has approved, under the EU Merger Regulation, the joint acquisition of National Vegetable Oils Co (“NVOC”), a joint venture based in Egypt, by Cargill and Archer Daniels Midlands (“ADM”), both of the US. NVOC produces and sells crude soybean oil, soybean meal and soybean hulls in the Egyptian market and is currently solely controlled by Cargill. Cargill is active in the international production and marketing of food, as well as in agricultural and risk management products and services. ADM is a processor of oilseeds, corn, sugar, wheat and other agricultural commodities, and a manufacturer of vegetable oils and fats, vegetable protein, meal, corn as well as other value added products and feed ingredients. The Commission concluded that the proposed acquisition would raise no competition concerns because the joint venture will have no or negligible activities in the European Economic Area. The transaction was examined under the simplified merger review procedure. More information is available on the Commission's [competition](#) website, in the public [case register](#) under the case number [M.8856](#). (For more information: Lucía Caudet – Tel. +32 229 56182; Maria Sarantopoulou – Tel.: +32 229 13740)

## **ANNOUNCEMENTS**

### **European Commission and African Union Commission to meet on 23 May**

On 23 May, members of the European Commission and the African Union Commission will meet in Brussels for the 9<sup>th</sup> Commission-to-Commission Meeting, co-chaired by President of the European Commission, Jean-Claude **Juncker** and the African Union Commission Chairperson, Moussa **Faki Mahamat**. The two Commissions will discuss how to reinforce their cooperation in order to tackle common global challenges. They will also



follow-up more concretely on the [Abidjan Summit](#), based on agreed priorities such as peace and security, governance, investment, sustainable development, migration and education. A press point at the VIP Corner is scheduled for 15:35 with President **Juncker** and President **Faki Mahamat**. Europe is Africa's closest neighbour and main partner in foreign investments, trade, security, remittances and development, and humanitarian assistance. The **Juncker** Commission has stepped up cooperation with its African partners, launching a range of innovative new tools and financing to boost investment in the continent. More information is available in a [factsheet on the Africa-EU Partnership](#). (For more information: Margaritis Schinas – Tel.: +32 229 60524; Carlos Martin Ruiz De Gordejuela – Tel.: +32 229 65322; Christina Wunder – Tel.: +32 229 92256)

### **Commissioner Hahn travelling to Kyiv, Ukraine**

Johannes **Hahn**, Commissioner for European Neighbourhood Policy and Enlargement Negotiations is in Kyiv today 22 May and tomorrow 23 May, to reiterate the EU strong support for the Ukrainian reform process, and to assess progress in this regard. Ahead of the visit Commissioner **Hahn** said: *"It is with great pleasure that I am travelling to [Ukraine](#) once again. I will be focussing on how Ukraine can attract the foreign investment necessary to further increase economic growth. This will require that the fight against corruption is sustained and intensified. I will also review EU support to Ukraine's decentralisation process which I believe is one of the most successful and significant of the many reforms carried out in Ukraine so far."* Commissioner **Hahn** will meet with Prime Minister Volodymyr Groysman and Deputy Prime Minister Hennadiy Zubko with whom he will discuss the Ukrainian decentralisation process. The Commissioner will also meet representatives of Ukrainian and EU business in order to initiate improvements to the business and investment climate. Commissioner **Hahn** is keen to support the government in its bid to increase investment in Ukraine; he will insist with all his interlocutors on the imperative of maintaining and intensifying the fight against corruption, not least through the establishment of a specialised anti-corruption court. Photos and videos of the mission will be available on [EbS](#). (For more information: Maja Kocijančič – Tel.: +32 229 86570; Alceo Smerilli – Tel.: +32 229 64887)

### **Commissioners Avramopoulos, Jourová and King in Sofia for EU-U.S. Justice and Home Affairs Ministerial meeting**

Commissioner for Migration, Home Affairs and Citizenship Dimitris **Avramopoulos**, Commissioner for Justice, Consumers and Gender Equality, Vera **Jourová** and Commissioner for the Security Union Julian **King** are in Sofia today and tomorrow to participate in the EU-U.S. Justice and Home Affairs Ministerial meeting. They will represent the EU together with the Bulgarian Minister of the Interior Valentin Radev and Minister of Justice Tsetska Tsacheva on behalf of the Bulgarian Presidency, who will be also joined by the Austrian Federal Minister of the Interior Herbert Kickl and Federal Minister of Justice Josef Moser from the incoming Austrian Presidency of the Council of the EU. The U.S. will be represented by the Acting Deputy

Secretary of the Department of Homeland Security Claire Grady and Attorney General Jeff Sessions. The meeting, which is held twice a year to advance transatlantic cooperation in the area of justice and home affairs, will focus on EU-U.S. cooperation on counterterrorism, cooperation in cyberspace, including access of judicial authorities to electronic evidence, transnational organised crime, including the fight against money-laundering and terrorism financing, as well as migration, border management and the ongoing work to achieve full visa reciprocity. *(For more information: Natasha Bertaud – Tel.: +32 229 67456; Tove Ernst – Tel.: +32 229 86764; Christian Wigand- Tel.: +32 229 62253)*

### **Commissioner Navracsics joins 10<sup>th</sup> anniversary celebrations for the European Union Prize for Literature**

This evening, Commissioner for Education, Culture, Youth and Sport, Tibor **Navracsics**, will attend an event in Brussels to celebrate ten years of the [European Union Prize for Literature](#) which is awarded annually to new and emerging authors, recognising literary talent from all corners of Europe. This special anniversary, which takes place during the [European Year of Cultural Heritage](#), is being marked in a different way. All previous winners of the Prize were invited to submit an original short work of fiction focusing on the topic 'A European Story'. 36 winners from 26 countries took up the challenge and shared their European stories which will be presented at this evening's event at which time they will be available [here](#).

Commissioner **Navracsics** said: *"For the past ten years, the EU Prize for Literature has recognised 108 talented authors from 37 different countries for their outstanding works of fiction. We are proud to have such a great number of excellent laureates who represent Europe in their diversity. I would like to thank the 36 participants in this year's special contest. Each of their stories, written in 23 different languages, has a distinct perspective, style and syntax, but they all tell a European story."* A professional jury made up of selected personalities from the world of art and literature will now proceed to select a winner. The public will also have the opportunity to vote online for their favourite work. Both awards will be presented at a special ceremony in Vienna in November during the Austrian Presidency of the EU and alongside the Vienna Book Fair. *(For more information: Nathalie Vandystadt – Tel.: [+32 229 67083](#); Joseph Waldstein – Tel: [+32 2 29 56184](#))*

### **Vice-President Katainen meets federal ministers in Berlin**

Vice-President Jyrki **Katainen**, responsible for Jobs, Growth, Investment and Competitiveness, is in Berlin today to discuss with several ministers and senior officials the future of Europe, defence, investment, competitiveness, deepening of the Economic and Monetary Union and the new Multiannual Financial Framework for 2021-2027. He will also attend a Citizens' Dialogue on the future of Europe and global megatrends. Vice-President **Katainen** will have a working lunch with Mr Olaf Scholz, Federal Minister of Finance, to discuss the new Multiannual Financial Framework and deepening of the EMU; he will meet Ms Ursula von der Leyen, Federal Minister of Defence, to discuss the future of European defence; as well as Mr Helge Braun, Head of the Federal Chancellery and Federal Minister for Special Tasks, to discuss the



future of Europe. The Vice-President will deliver a speech and participate in a short Q&A session on the European Defence Action Plan with senior officials of the Ministry of Defence. Finally, Vice-President **Katainen** will participate in a [Citizens' Dialogue](#) in "Erlebnis Europa" (Experience Europe) to discuss tomorrow's Europe and global megatrends, with a particular focus on the circular economy and Artificial Intelligence. (For more information: Christian Spahr – Tel.: +32 229 50055; Siobhán Millbright – Tel.: +32 229 57361)

[Upcoming events](#) of the European Commission (ex-Top News)

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## [Circular Economy: New rules will make EU the global front-runner in waste management and recycling](#)

The new rules – based on Commission's proposals part of the Circular Economy package [presented](#) in December 2015 – will help to prevent waste and, where this is not possible, significantly step up recycling of municipal and packaging waste. It will phase out landfilling and promote the use of economic instruments, such as Extended Producer Responsibility schemes. The new legislation strengthens the "waste hierarchy", i.e. it requires Member States to take specific measures to prioritize prevention, re-use and recycling above landfilling and incineration, thus making the circular economy a reality.

Commissioner for Environment, Maritime Affairs and Fisheries, Karmenu **Vella** said: *"The final approval of new EU waste rules by the Council marks an important moment for the circular economy in Europe. The new recycling and landfilling targets set a credible and ambitious path for better waste management in Europe. Our main task now is to ensure that the promises enshrined in this waste package are delivered on the ground. The Commission will do all it can to support Member States and make the new legislation deliver on the ground."*

The Commission had originally presented proposals for new waste rules in 2014, which were withdrawn and replaced by better designed, more circular and more ambitious proposals on December 2015 as part of the Circular Economy agenda of the Juncker Commission. These proposals were then adopted and are now part of the EU rule book.

The new rules adopted today represent the most modern waste legislation in

the world, where the EU is leading by example for others to follow.

The details of the new waste rules:

### **Recycling targets for municipal waste:**

<b>By 2025</b>	<b>By 2030</b>	<b>By 2035</b>
55%	60%	65%

In addition, stricter rules for calculating recycling rates will help to better monitor real progress towards the circular economy.

### **New recycling targets for packaging waste:**

	<b>By 2025</b>	<b>By 2030</b>
All packaging	65%	70%
Plastic	50%	55%
Wood	25%	30%
Ferrous metals	70%	80%
Aluminium	50%	60%
Glass	70%	75%
Paper and cardboard	75%	85%

### **Separate collection**

Building on the existing separate collection obligation for paper and cardboard, glass, metals and plastic, new separate collection rules will boost the quality of secondary raw materials and their uptake: **hazardous household waste will have to be collected separately by 2022, bio-waste by 2023 and textiles by 2025.**

### **Phasing out landfilling**

Landfilling of waste makes no sense in a circular economy and can pollute water, soil and air. By 2035 the amount of municipal waste landfilled must be reduced to 10% or less of the total amount of municipal waste generated.

### **Incentives**

The new legislation foresees more use of effective economic instruments and other measures in support of the waste hierarchy. Producers are given an important role in this transition by making them responsible for their products when they become waste. New requirements for extended producer responsibility schemes will lead to improving their performance and governance. In addition, mandatory extended producer responsibility schemes have to be established for all packaging by 2024.

### **Prevention**

The new legislation will place a particular focus on waste prevention and introduce important objectives for food waste in the EU and halting marine

litter to help achieve the UN Sustainable Development Goals in these areas.

### **Next steps**

The new rules will enter into force 20 days following publication in the Official Journal.

### **Background**

As part of its Circular Economy Action Plan the European Commission adopted on 2 December 2015 a package of [legislative proposals on waste](#). A provisional agreement on the Commission's four legislative proposals was reached between the co-legislators on 18 December 2017. The European Parliament endorsed the agreement at its Plenary Session in April 2018.

Over the past two decades many Member States have gradually improved their waste management, in line with the EU waste hierarchy. In 1995, on average 64% of municipal waste was landfilled in the EU. In 2000, the average had been reduced to 55% while the average recycling rate stood at 25%. In 2016, landfilling of household waste in the EU as a whole dropped to 24%, with recycling having increased to 46%. Yet, challenges and big differences between EU countries remain. In 2016 ten Member States still landfilled over 50 % of their household waste and six of them incinerated 40% or more.

### **For More Information**

Text of the new Directives click [here](#).

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## **[EU mobilises international support for The Gambia](#)**

The reinforced political and financial support by the international community will assist The Gambia in continuing its democratic transition, building on strong democratic institutions, the respect of human rights and the rule of law, and sustainable and shared economic growth.

High Representative/Vice-President Federica **Mogherini**, who co-chaired the conference together with the President of The Gambia, Adama **Barrow**, in Brussels today, said: *"The Gambia is showing to the world that freedom and democracy are about real people and real lives. After the presidential election in 2016, neighbours and the international community stood with the Gambian people. We stood on the side of freedom and democracy. Two years on, we continue to stand by your side. Today the EU is proud to announce €140 million to invest in opportunities for the Gambian people and further strengthen democracy"*.

Commissioner for International Cooperation and Development, Neven Mimica, added: *“When people of a country decide to overturn a two-decades long dictatorship, this is a choice to commend. This is what happened in The Gambia one year and a half ago. When new authorities commit to profoundly reform the country and put it on the path of democracy and development, the international community has to answer their call. This is what happened today in Brussels. Out of the €1.45 billion that were pledged today, the EU has committed additional funding of €140 million until 2020, which adds to the €225 million mobilised since the beginning of the transition in 2017. Because nothing is more important today than showing to the people of The Gambia that democracy brings quick and tangible dividends.”*

**Key outcomes of the conference are:**

The International Conference for The Gambia will be followed by a **Business Forum** tomorrow, which will bring together interested European, regional and Gambian business representatives for exchanges on sector-specific strategies and projects during panel discussions on Energy & Infrastructure, Agricultural Value Chains, and Tourism.

**Background**

Following the end of 22 years of authoritarian rule by former President Yahya Jammeh with the change of government in January 2017, the EU and The Gambia have opened a new chapter in their relations. An intense political dialogue is ongoing at all levels, and the EU is actively supporting the democratic transition in co-ordination with other international partners of The Gambia. Areas of co-operation include e.g. security, development for sustainable growth, transitional justice, economic partnership, trade, fisheries and migration.

**For more information**

[International Conference for The Gambia – Joint Communiqué by the co-chairs](#)

[Opening remarks by High Representative/Vice-President Federica Mogherini at the International Conference for The Gambia](#)

[Factsheet ‘The EU’s partnership with The Gambia’](#)

[EU Delegation to The Gambia](#)