RECOMMENDATIONS

COUNCIL

COUNCIL RECOMMENDATION

of 14 May 2008

on the 2008 update of the broad guidelines for the economic policies of the Member States and the Community and on the implementation of Member States' employment policies

(2008/399/EC)

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 99(2) and Article 128(4) thereof,

Having regard to the recommendation from the Commission,

Having regard to the conclusions of the European Council on 13 and 14 March 2008,

Having regard to the opinion of the Employment Committee,

Whereas:

(1) The Council adopted in July 2005 a Recommendation on the broad guidelines for the economic policies of the Member States and the Community (2005 to 2008) [1] and a Decision on Guidelines for the employment policies of the Member States [2], which together form the 'Integrated guidelines for growth and jobs'. Member States were invited to take the Integrated guidelines for growth and jobs into account in their national reform programmes (hereinafter 'NRPs').

(2) Member States submitted their NRPs by October 2005, which the Commission assessed and reported on in its contribution to the 2006 Spring European Council.

(3) The 2006 Spring European Council took note of these documents and identified four priority areas (R & D and innovation, business environment, employment opportunities and an integrated energy policy) within which it agreed a limited number of specific actions which it urged Member States to complete before the end of 2007.

(4) In accordance with the conclusions of the 2006 Spring European Council, the Member States presented annual reports on the implementation of the national reform programmes (implementation reports). These implementation reports were analysed by the Commission, which presented its findings in the 2007 Annual Progress Report.

(5) On the basis of this analysis, a number of country-specific recommendations were issued to the Member States in 2007. In order to pursue the Lisbon strategy for growth and jobs in a coherent, integrated manner, these recommendations were adopted in a single instrument, in the Council Recommendation 2007/209/EC of 27 March 2007 on the 2007 update of the broad guidelines for the economic policies of the Member States and the Community and on the implementation of Member States' employment policies [3]. This approach reflected the integrated structure of the NRPs and implementation reports, as well as the necessary consistency between the employment guidelines and the Article 99(2) broad economic policy guidelines, as underlined in Article 128(2) of the Treaty.

[1] OJ L 205, 6.8.2005, p. 28.
[2] OJ L 205, 6.8.2005, p. 21.
[3] OJ L 92, 3.4.2007, p. 23.

(6) The Commission analysed the response to the recommendations as presented in the 2007 Implementation Reports of the Member States, and has presented its analysis of this response in the Strategic Report. On the basis of this analysis, and recognising that it takes some time to implement structural reforms, this document provides a proposal to largely maintain these recommendations, fine-tuning them in light of progress made since their adoption in spring 2007.

(7) To implement fully the Lisbon strategy for growth and jobs, this Recommendation should also contain specific recommendations to the Member States belonging to the euro area.

(8) In order to reinforce coordination of reforms and enhance the multilateral surveillance process in Council, Member States should set out detailed and concrete actions addressing their specific policy responses to the country-specific recommendations and 'points to watch' in their national reform programmes and the subsequent annual implementation reports, and furthermore the Commission should provide more analytical underpinning to the proposed recommendations,

HEREBY RECOMMENDS that Member States should take action along the lines set out in the Annex and report on their follow-up in their next programmes in the framework of the renewed Lisbon strategy for growth and jobs.

Done at Brussels, 14 May 2008.

For the Council
The President
A. BAJUK

ANNEX

BELGIUM

1. In the light of Belgium's 2007 Implementation Report and the Commission's assessment of progress made to implement key structural reforms and based on the Integrated guidelines for growth and jobs, the following conclusions are appropriate:

2. Belgium has made good progress in implementing its National Reform Programme (NRP) over the 2005-2007 period. Belgium has shown some progress in fulfilling the commitments agreed by the 2006 Spring European Council in the four priority action areas.

3. The Implementation Report shows some policy response to the Council recommendations, but further reform is still necessary. There has been some response on the additional areas identified in the Council conclusions as requiring attention. The Implementation Report also specifically addresses the recommendations issued to the euro area countries.

4. Among the strengths shown by Belgium's 2007 Implementation Report are the emission reduction policies and the promising results of the guidance and monitoring system of unemployed people.

5. The policy areas in the Belgian NRP where challenges need to be tackled with the highest priority are reducing the tax burden on labour whilst strengthening fiscal consolidation and improving labour market performance. Against this background it is recommended that Belgium:

   — continue its efforts to further reduce the tax burden on labour towards the average of its neighbouring countries, especially by reducing the tax wedge on low-skilled workers, while strengthening fiscal consolidation,

   — reinforce the policy measures to improve the performance of its labour market through a comprehensive strategy, in accordance with an integrated flexicurity approach, to enhance labour market participation, lower regional disparities, and increase participation in lifelong learning.

6. In addition, it will be important for Belgium to focus on the following challenges: to fully implement the strategy aiming to ensure the long-term sustainability of public finances, including expenditure restraints, fiscal surpluses, and a persistent reduction of government debt; urgently take further measures to improve competition in gas and electricity markets, including through independent and effective regulators and additional measures concerning transmission and distribution operators; to increase substantially its commitment to stimulating R & D and innovation notably by increasing both the level and impact of public funding and developing a coordinated policy mix at all levels; continuing the implementation of the measures to increase the employment rate for older workers and vulnerable groups, monitor their impact and, if need be, take further activation measures.

BULGARIA

1. In the light of Bulgaria's 2007 Implementation Report and the Commission's assessment of its National Reform Programme (NRP) and based on the Integrated guidelines for growth and jobs, the following conclusions are appropriate:

2. Overall, the NRP focuses on the right challenges, but in some areas more concrete measures need to be developed, in particular as regards further strengthening administrative capacity as well as urgently and significantly reducing red tape to make the business environment more dynamic and competitive. Given the growing economic imbalances it is particularly important for Bulgaria to accelerate the implementation of its NRP in order to create the necessary conditions for sustainable growth and jobs in the medium to longer term.

3. The NRP's strengths include a clear problem analysis and right prioritisation and sequencing of reforms as well as strong political ownership. Important provisions for a tight monitoring of progress at the highest political level have been put in place, which should prove an effective tool for ensuring a rapid and effective implementation of the NRP. The NRP is furthermore underpinned by a tight fiscal policy which offers a solid basis for accelerating the needed structural reforms to ensure long-term growth.

4. The policy areas in the Bulgarian NRP where challenges need to be tackled with the highest priority and budgetary impacts of measures and details on the monitoring and evaluation procedures should be clearly spelled out are: administrative capacity; macroeconomic imbalances; red tape; and the functioning of the labour market. Against this background, Bulgaria is recommended to:

— urgently further strengthen administrative capacity in particular focusing on key government functions, including regulatory authorities, and the judiciary,

— contain the growing current account deficit and inflationary pressures, in particular by a tight fiscal policy, improving the quality of public expenditure and promoting wage moderation and flexible wage-setting that keeps wage developments in line with productivity gains,

— adopt new measures and rapidly implement adopted measures to substantially cut red tape and shorten procedural delays in order to improve the business environment (in particular for SMEs and facilitating start-ups), which will also help in the fight against corruption,

— increase the quality of labour supply and the employment rate by improving the efficiency and effectiveness of active labour market policies and further reform the education system to raise skills to levels that better match labour market needs and reduce early school leaving.

5. In addition, it will be important for Bulgaria over the period of the NRP to focus on: taking further measures to ensure the long-term sustainability of public finances, in particular with regard to potential risks in terms of adequacy and sustainability of pensions; ensuring all necessary pre-conditions for strong competition in network industries; elaborating an integrated policy for R & D and innovation notably aimed at reforming the public R & D system, shifting public support to R & D — based on an overall R & D intensity target for 2010 — towards more competitive funding focused on key priorities; tackling undeclared work by strengthening institutional capacity to perform inspections and ensure legal enforcement; completing the lifelong learning strategy and increasing participation.

CZECH REPUBLIC

1. In the light of the 2007 Czech Republic Implementation Report and the Commission's assessment of progress made in implementing key structural reforms and based on the Integrated guidelines for growth and jobs, the following conclusions are appropriate:

2. The Czech Republic has made some progress in implementing its National Reform Programme (NRP) over the 2005-2007 period. The Czech Republic made some progress on meeting the specific commitments agreed at the 2006 Spring European Council in the priority action areas.

3. The Implementation Report shows some policy response to the recommendations adopted by the Council. There has been some policy response on the additional areas requiring attention, as identified in the Council conclusions.

4. Among the strengths shown by the 2007 Czech Republic Implementation Report are the coherent strategy to improve the regulatory framework for enterprises, reforms to make work pay, of the curricula for primary and secondary education, to increase participation in tertiary education, and the adoption of the lifelong learning strategy.

5. The policy areas in the Czech Republic NRP where challenges need to be tackled with the highest priority are the long-term sustainability of public finances in the context of an ageing population, fulfilling the commitments for public R & D expenditure and further increasing its effectiveness, improving flexicurity in the labour market, improving the efficiency and equity in education and training and increasing participation in lifelong learning. Against this background it is recommended that the Czech Republic:

— with a view to improving the long-term sustainability of public finances, implement the announced reform programme of the pension system without delay, implement the reforms in the healthcare system and proceed with the announced important reforms,

— strengthen efforts to improve collaboration among businesses, universities and public R & D institutions and provides necessary human resources for R & D, while increasing the effectiveness and the amount of public R & D investment in order to meet the R & D targets for expenditure,

— within an integrated flexicurity approach, further modernise employment protection, including legislation, improve the efficiency and equity of education and training, especially its responsiveness to labour market needs, provide incentives to invest in training particularly for older workers and the low-skilled, and increases the diversification of tertiary education supply.

6. In addition, it will be important for the Czech Republic to focus over the period of the NRP on the following challenges: improving the protection of intellectual property rights; speeding up progress in the ICT area, including by implementing and monitoring a fully enabled legal environment for e-government; improving access to finance for innovative companies, in particular through further developing the venture capital market; increasing the coverage of entrepreneurship education; better integrating disadvantaged groups into the labour market; reducing regional disparities; reconciling work and family life; tackling the gender pay gap; and implementing the active ageing strategy.

DENMARK

1. In the light of the 2007 Danish Implementation Report and the Commission's assessment of progress made in implementing key structural reforms and based on the Integrated guidelines for growth and jobs, the following conclusions are appropriate:

2. Denmark has been making very good progress in implementing its National Reform Programme (NRP) over the 2005-2007 period. Denmark has shown good progress in fulfilling the commitments agreed by the 2006 Spring European Council in the four priority action areas.

3. The Implementation Report shows a good policy response to the areas identified by the Council as requiring attention.

4. Among the strengths shown by the 2007 Danish Implementation Report is the comprehensive and integrated approach to reform planning and implementation, within a framework for ensuring long-term fiscal sustainability, combined with the active participation of stakeholders.

5. It will be important for Denmark over the period of the NRP to focus on the following challenges: continuing to implement measures on energy interconnection in order to improve the functioning of the electricity and gas markets; increasing labour supply and hours worked over the medium term, including further initiatives to work and additional steps to integrate older workers, immigrants and their descendants into the labour market; reinforcing, in a cost-effective manner, measures to improve primary and secondary education and the number of students finalising upper-secondary or tertiary education if current initiatives prove insufficient to reach the ambitious targets set.

GERMANY

1. In the light of Germany's 2007 Implementation Report and the Commission's assessment of progress made in implementing key structural reforms and based on the Integrated guidelines for growth and jobs, the following conclusions are appropriate:

2. Germany has made good progress in implementing its National Reform Programme (NRP) over 2005-2007 and good progress in fulfilling the commitments agreed by the 2006 Spring European Council in the four priority action areas.

3. The Implementation Report shows that there has been some policy response to the recommendations adopted by the Council. There has been a good response in consolidating public finances, and a more limited response regarding competition in services and on tackling structural unemployment. There has been some response on the additional areas identified in the Council conclusions as requiring attention. The Implementation Report also specifically addresses the recommendations issued to the euro area countries.

4. Among the strengths shown by the 2007 German Implementation Report are: the consolidation of public finances; the strengthening of high-class research and innovation; the progress in tackling youth unemployment; and the determined approach to increasing childcare facilities.

5. The policy areas in the German NRP where challenges need to be tackled with the highest priority are: competition in services and structural unemployment. Against this background it is recommended that Germany:

— improve the framework for competition in services, notably by continuing to relax restrictive rules in regulated trades and professions, improving public procurement procedures and effectively regulating wholesale bitstream access,

— tackle structural unemployment by maintaining the path of the reforms outlined in the NRP. Focus should be placed on integrating the low-skilled into the labour market through a flexicurity approach which combines better access to qualifications with further tax and benefit reforms and more effective employment services for unemployed recipients of basic income support.

6. In addition, it will be important for Germany over the period of the NRP to focus on the following challenges: securing the long-term sustainability of public finances by firmly locking in the achieved fiscal consolidation, including in the ongoing revision of budgetary institutions in the federal system, and by carefully monitoring the impact of the healthcare reform to keep expenditure growth in check and strength efficiency in the health sector; improving the framework for competition in the rail sector, and further improve it in the gas and electricity networks, where competition remains insufficient due to high concentration; continue further with the establishment of one-stop shops and the improvement of start-up times; and in the context of the planned measures to promote lifelong learning, enhance continuing vocational training.

ESTONIA

1. In the light of the 2007 Estonian Implementation Report and the Commission's assessment of progress made in implementing key structural reforms and based on the Integrated guidelines for growth and jobs, the following conclusions are appropriate:

2. Estonia has been making very good progress in implementing its National Reform Programme (NRP) over the 2005-2007 period. Estonia has shown good progress in fulfilling the commitments agreed by the 2006 Spring European Council in the four priority action areas.

3. The Implementation Report shows some policy response to the areas identified by the Council as requiring attention. There has been some policy response on competition policy, active labour market policies and educational policy. The most substantial response has been on R & D and innovation policy. Estonia has not moved significantly forward on the modernisation of labour law.

4. Among the strengths shown by the Estonian Implementation Report are: the establishment of an ambitious long-term and systematic new R & D and innovation strategy; the measures to facilitate start-ups and financing of innovative SMEs; a strong increase in the employment rate and the measures for raising the quality of higher and vocational education.

5. The policy areas in the Estonian NRP where challenges need to be tackled with the highest priority are: the employment area where progress on the modernisation of labour law has been limited.

6. It will be important for Estonia over the period of the NRP to focus on the following challenges: improving macroeconomic stability and containing inflation through adequate structural reforms and determined fiscal policy; reinforcing efforts to ensure that R & D results are translated into innovative services or products; encouraging closer cooperation between universities and enterprises; launching the new immunity and leniency programme and strengthening competition enforcement; reinforcing active labour market policies and increasing the supply of skilled labour by implementing a comprehensive lifelong learning strategy that responds to labour market needs; reducing labour market rigidities by urgent progress towards labour law modernisation and by promoting flexible forms of work.

IRELAND

1. In the light of the 2007 Irish Implementation Report and the Commission's assessment of progress made in implementing key structural reforms and based on the Integrated guidelines for growth and jobs, the following conclusions are appropriate:

2. Ireland has been making very good progress in implementing its National Reform Programme (NRP) over the 2005-2007 period. Ireland has been showing good progress in fulfilling the commitments agreed by the 2006 Spring European Council in the four priority action areas.

3. The Implementation Report shows a good policy response to the areas identified by the Council as requiring attention. While the Implementation Report does not specifically address the recommendations issued to the euro area countries, the substance includes relevant developments in this respect.

4. Among the strengths of the Irish NRP and its implementation is the comprehensive and coherent national strategy. The document also highlights the usefulness of the Lisbon process through its role in focusing on the prioritisation and implementation of specific actions, and emphasising its key role in addressing the challenges and opportunities associated with globalisation.

5. It will be important for Ireland over the period of the NRP to focus on the following challenges for the future: speeding up progress in formulating concrete measures to reform pension arrangements; accelerating progress in increasing labour market participation, including by making further progress in establishing a comprehensive childcare infrastructure; further developing the policy framework for the labour market and social integration of migrants and placing a particular emphasis on support to older and low-skilled workers; and developments in the housing market, affecting short and medium-term growth, should be carefully monitored.

GREECE

1. In the light of the 2007 Greek Implementation Report and the Commission's assessment of progress made in implementing key structural reforms and based on the Integrated guidelines for growth and jobs, the following conclusions are appropriate:

2. Greece has made steady progress in implementing its National Reform Programme (NRP) over the period 2005-2007. Greece has shown some progress in fulfilling the commitments agreed by the 2006 Spring European Council in the four priority action areas.

3. The Implementation Report shows there has been some policy response to the recommendations adopted by the Council. There has been some response on the additional areas identified in the Council conclusions as requiring attention. The Implementation Report does not specifically mention the recommendations issued to the euro area countries, although a clear link is established in the accompanying reporting table.

4. Amongst the strengths shown by the 2007 Greek Implementation Report are: good progress made to consolidate public finances, promoting female employment, implementing internal market legislation, and improving the business environment. There are promising signs of progress to fix a timetable to implement pension reforms designed to improve long-term fiscal sustainability.

5. Policy areas in the Greek NRP where challenges need to be tackled with the highest priority are: long-term fiscal sustainability; implementation of the public administration reform agenda; the consolidation of active labour market policies; tackling high youth unemployment; tackling undeclared work and acceleration of education and lifelong learning reforms. Against this background it is recommended that Greece:

   — continue pursuing fiscal consolidation and debt reduction, and proceeds rapidly with the implementation of the pension reform, with a view to improving long-term fiscal sustainability,

   — implement the reform of its public administration, by building up effective regulatory, control and enforcement capacities, by modernising its human resources policy, and through effective use of the Structural Funds,

   — in line with an integrated flexicurity approach, modernise employment protection including legislation in order to cover all forms of contractual arrangements, reduce further the tax burden on labour, strengthen active labour market policies and transform undeclared work into formal employment,

   — accelerate the implementation of reforms on education and lifelong learning, in order to improve quality and responsiveness to labour market needs, increase participation, and allow for a smooth transition into employment, particularly for the young.

6. In addition, it will be important for Greece over the period of the NRP to focus on the following challenges: pursue further efforts to reduce inflationary pressures and address the causes of the current account deficit; accelerate efforts to set up a research and innovation strategy and increase investment in R & D; improve further the transposition of internal market legislation; speed up progress towards meeting the SME policy targets set by the 2006 Spring European Council; strengthen competition in the area of professional services; protect the environment by prioritising effective solid and water waste management and curb greenhouse gas emissions; encourage further female participation in employment; reduce early school leaving and put in place a coherent active ageing strategy.

SPAIN

1. In the light of Spain's 2007 Implementation Report and the Commission's assessment of progress made in implementing key structural reforms and based on the Integrated guidelines for growth and jobs, the following conclusions are appropriate:

2. Spain has made good progress with implementing its National Reform Programme (NRP) over the 2005-2007 period. Spain has shown good progress in fulfilling the commitments agreed by the 2006 Spring European Council in three of the four priority action areas.

3. The Implementation Report shows a good policy response to the recommendations adopted by the Council. There has been some response on the additional areas identified in the Council conclusions as requiring attention. The Implementation Report also specifically addresses the recommendations issued to the euro area countries.

4. Among the strengths shown by Spain's 2007 Implementation Report are: a faster than targeted reduction of government debt; good progress on implementation of the R & D and innovation plan and on the employment rate objective, in particular for female employment.

5. The policy areas in the Spanish NRP where challenges now need to be tackled with the highest priority are: improving competition in electricity markets and further improvements to education. Against this background it is recommended that Spain:

— take further measures to increase competition in the energy sector, notably by continuing with the elimination of all tariffs so as to ensure that there is no price distortion and improving cross-border interconnection capacity to ensure security of supply,

— ensure the effective implementation of education reforms, also at regional level, to reduce early school leaving.

6. In addition, it will be important for Spain over the period of the NRP to focus on the following challenges: pursue further efforts to reduce inflationary pressures, address the causes of the current account deficit and monitor developments in the housing market; raising competition in professional services and retail markets; implementing the better regulation programme and improving where necessary the regulatory framework; develop further environmental measures, in particular to reduce CO_2 emissions; take all necessary measures to further modernise employment protection policy, in order to foster flexicurity in the labour market to counter segmentation and promote the attractiveness of part-time work; raising productivity by raising skill levels and innovation; continuing current efforts to integrate immigrants into the labour market; further increase of access to childcare; and implement pension and healthcare reforms so as to improve long-term fiscal sustainability.

FRANCE

1. In the light of France's 2007 Implementation Report and the Commission's assessment of progress made in implementation of key structural reforms and based on the Integrated guidelines for growth and jobs, the following conclusions are appropriate:

2. France has made steady progress in implementing its National Reform Programme (NRP) over the 2005-2007 period. The pace of reform has accelerated since mid-2007. France has also shown some progress in fulfilling the commitment agreed by the 2006 Spring European Council in the four priority action areas.

3. The Implementation Report shows that some first measures have been taken by France in response to the recommendations issued to France by the Council but the remaining reform requirements continue to be of the utmost importance. In other areas identified in the Council conclusions as requiring attention, a certain number of measures have been adopted; in particular an important reform has been undertaken with regard to stimulating entrepreneurship and supporting young businesses. The Implementation Report does not however specifically address the recommendations issued to the euro area countries.

4. Among the strengths shown by French 2007 Implementation Report are: R & D and innovation reforms; the concrete results of measures in the area of ICT; the priority given to industrial policy (*pôle de compétitivité*); the reform aimed at giving more autonomy to universities and the comprehensive set of measures announced to improve the functioning of the labour market, including through changes in legislation.

5. The Implementation Report presents a noticeably modified strategy in which employment is to become a factor of economic policy aiming at enhanced growth. Whilst the second stage of the reform of the Galland Act has been adopted, full implementation and introduction of new measures remain necessary to ensure effective competition in services markets. It is important that France further strengthens its budgetary efforts in order to simultaneously implement a concerted reform strategy and further consolidates public finances. Significant or sustained further measures are needed to achieve budgetary consolidation, to increase competition in network industries and to improve labour market performance. Against this background, it is recommended that France:

— ensure the sustainability of public finances, taking into account the ageing of the population, by strengthening the pace of budgetary consolidation and debt reduction, and — cyclical conditions permitting — aim to reach the medium-term objective (MTO) by 2010. The negotiation on pension systems scheduled for 2008 will have to build on the important gains made following the introduction of the 2003 reform,

— improve the framework for competition in the gas and electricity sectors and take further measures to strengthen competition in the rail freight sector between competitors and traditional operator,

— within an integrated flexicurity approach, enhance lifelong learning and modernise employment protection, in order notably to combat labour market segmentation among contract types, and make it easier to switch between fixed-term contracts and permanent contracts.

6. In addition, it will be important for France over the period of the NRP to focus on the following challenges: further strengthening competition in regulated trades and professions, further enhancing better regulation policies by including impact assessments; continuing to increase labour supply and making work pay.

ITALY

1. In the light of the 2007 Italian Implementation Report and the Commission's assessment of progress made in implementing key structural reforms and based on the Integrated guidelines for growth and jobs, the following conclusions are appropriate:

2. Italy has made good progress in implementing its National Reform Programme (NRP) over the 2005-2007 period. There has been some response in fulfilling the commitments agreed by the 2006 Spring European Council in the four priority areas.

3. The Implementation Report shows some policy response to the recommendations adopted by the Council. Given the scale of the challenge, significant further reforms are needed. There has been some policy response on the additional areas identified in the Council conclusions as requiring attention. The Implementation Report also specifically addresses the recommendations issued to the euro area countries.

4. Amongst the strengths shown by the 2007 Italian Implementation Report are: the initial steps to improve the business environment; measures to enhance competition in professional and financial services and retail distribution; recent improvements in its transposition deficit of EU legislation; and e-government actions to modernise the public sector.

5. The policy areas in the Italian NRP where challenges need to be tackled with the highest priority are: fiscal sustainability, where efforts need to be pursued and the pension reform process needs to be fully implemented and where appropriate completed; enhanced competition in product and service markets and pursuing the full implementation of announced reforms; further fighting regional disparities in employment; and improving education and lifelong learning. Against this background it is recommended that Italy:

— rigorously pursue fiscal consolidation, in particular by curbing growth in current primary expenditure, and fully implement and, where appropriate, complete the pension reform process with a view to improving the long-term sustainability of public finances,

— continue the progress made to enhance competition in product and services markets and vigorously pursue the implementation of announced reforms,

— improve the quality and labour market relevance of education, promote lifelong learning, further tackle undeclared work and ensure the efficient operation of employment services, within a flexicurity approach and with a view to reducing regional disparities.

6. In addition, it will be important for Italy to focus over the period of the NRP on the following challenges: increasing R & D investment and efficiency, where despite welcome policy developments, further efforts are needed to reach the 2010 target and to enhance the efficiency of public spending; strengthening efforts to meet the greenhouse gas emission reduction targets; improving the quality of regulation by strengthening and fully implementing the system of impact assessment, notably for SMEs; implementing plans to improve infrastructure especially for its contribution in Southern Regions; continuing to increase childcare and elderly care provision with a view to reconciling work and family life and fostering labour market participation of women; and putting in place a consistent active ageing strategy to increase employment of older workers, and with a view to improving pension adequacy.

CYPRUS

1. In the light of the 2007 Implementation Report for Cyprus and the Commission's assessment of progress made in implementing key structural reforms and based on the Integrated guidelines for growth and jobs, the following conclusions are appropriate:

2. Cyprus has made good progress in the implementation of its National Reform Programme (NRP) over the 2005-2007 period. Cyprus had made good progress in fulfilling the specific commitments agreed at the 2006 Spring European Council in the priority areas.

3. The Implementation Report shows a good policy response to the recommendations adopted by the Council. With a view to the long-term sustainability of public finances there has been a satisfactory initial response in reforming the healthcare system but a limited response on pension reform. Moreover, there has been some response in enhancing lifelong learning but a limited response in reforming the vocational education and training system. There has been some policy response on the additional areas identified in the Council conclusions as requiring attention.

4. Amongst the strengths of the Implementation Report is progress in the field of fiscal consolidation, in both deficit and debt reduction; a new policy to develop a comprehensive research and innovation system; and the maintenance of a good overall employment performance supported by a broad range of active labour market measures.

5. The policy areas in the Cypriot NRP where weaknesses need to be tackled with the highest priority are: addressing ageing-related expenditure; implementing the recently adopted National Lifelong Learning Strategy 2007-2013 and increasing training and labour market opportunities for young people. Against this background, it is recommended that Cyprus:

   — take steps to implement reforms of the pension and healthcare systems and set a timetable for their implementation with a view to improving fiscal sustainability,

   — enhance lifelong learning, and further increase employment and training opportunities for young people by implementing the recently approved Lifelong Learning National Strategy and by implementing the reforms of the vocational, education, training and apprenticeship system, including the New Modern Apprenticeship Scheme.

6. In addition, it will be important for Cyprus over the period of the NRP to continue with measures to: improve competition in the area of professional services; further stimulate private sector R & D; and address the very high gender pay gap.

LATVIA

1. In the light of Latvia's 2007 Implementation Report and the Commission's assessment of progress made in implementing key structural reforms and based on the Integrated guidelines for growth and jobs, the following conclusions are appropriate:

2. Latvia has made some progress in implementing its National Reform Programme (NRP) over the 2005-2007 period and some progress in fulfilling the commitments agreed by the 2006 Spring European Council in the four priority action areas.

3. The Implementation Report shows that there has been some progress in responding to the recommendations adopted by the Council. There has been a mixed response to the additional areas identified by the 2007 Spring European Council as requiring attention.

4. Among the strengths shown by the Implementation Report are: the first positive steps in the field of knowledge and innovation; the progress achieved on certain SME and entrepreneurship issues; the strengthened role of the Competition Authority in market surveillance; and further measures to promote energy efficiency and the use of renewable energy resources. Latvia has also implemented a set of measures that have successfully supported labour market performance.

5. The policy areas in the Latvian NRP where weaknesses need to be tackled with the highest priority are: more concrete measures to secure macroeconomic stability in the face of overheating pressures; further development of the R & D strategy to improve prioritisation and increase private sector involvement; and stronger measures to increase labour supply and strengthen the skills of the labour force. Against this background, it is recommended that Latvia:

   — pursue a more restrictive fiscal policy, with a careful prioritisation of expenditures and wage developments that are in line with productivity, in order to contribute to correcting overheating pressures and reducing the risk of macroeconomic instability,

— make faster progress in the implementation of the research and innovation policy reforms, in order to meet the ambitious targets set. This concerns especially policies to stimulate partnerships between research and education institutions and businesses,

— within an integrated flexicurity approach, intensify efforts to increase labour supply and productivity by improving activation and regional mobility and, enhancing the responsiveness of education and training systems to labour market needs, by putting in place a lifelong learning system.

6. In addition, it will be important for Latvia over the period of the NRP to focus on: improving further the regulatory environment, notably by means of an explicit better regulation policy; pursuing active labour market policies and improving access to childcare.

LITHUANIA

1. In the light of Lithuania's 2007 Implementation Report and the Commission's assessment of progress made in implementing key structural reforms and based on the Integrated guidelines for growth and jobs, the following conclusions are appropriate:

2. Lithuania has made good progress in implementing its National Reform Programme (NRP) over the 2005-2007 period. Lithuania has also been showing some progress in fulfilling the commitments agreed by the 2006 Spring European Council in the four priority action areas.

3. The Implementation Report shows a limited policy response to the recommendations adopted by the Council. There has been some policy response on the additional areas identified by the Council as requiring attention.

4. Among the strengths shown by Lithuania's 2007 Implementation Report are: approval of priority areas for R & D development and adoption of the Vocational Training Law.

5. The policy areas in the Lithuanian NRP where challenges need to be tackled with the highest priority are implementing measures: increasing and improving the efficiency of investment in R & D and support for innovation; to increase internal mobility of labour, promote adult participation in lifelong learning, especially among older workers, and reform the education and training systems to ensure quality and labour market relevance. Against this background it is recommended that Lithuania:

— accelerate the implementation of the structural reform of its R & D and innovation system so as to raise the efficiency of public spending and create conditions favourable to increased private investments in this area, including for innovation in traditional and low-tech sectors,

— intensify efforts to increase the supply of skilled labour by: improving the regional mobility, reforming the education and training systems to ensure their quality and relevance to the labour market needs and implementing the revised lifelong learning strategy with a special focus on the participation of older workers.

6. In addition, it will be important for Lithuania to focus over the period of the NRP on the following challenges: improving macroeconomic stability and containing inflation; increasing foreign direct investment; improving the efficiency of regulatory environment with particular focus on legislative simplification; improving youth employability; expanding entrepreneurship education; increasing the availability of childcare; and strengthening occupational health and safety.

LUXEMBOURG

1. In the light of Luxembourg's 2007 Implementation Report and the Commission's assessment of progress made in implementing key structural reforms and based on the Integrated guidelines for growth and jobs, the following conclusions are appropriate:

2. Luxembourg has made very good progress in implementing its National Reform Programme (NRP) over the 2005-2007 period. Luxembourg has shown some progress in fulfilling the commitments agreed by the 2006 Spring European Council in the four priority action areas.

3. The Implementation Report shows a mixed policy response to the areas identified by the Council as requiring attention. The Implementation Report also specifically addresses the recommendations issued to the euro area countries.

4. Among the strengths shown by Luxembourg's 2007 Implementation Report are: investments to integrate the economy into the international context, efforts to develop an extensive simplification policy focused on business needs, the development of childcare infrastructures, reform of professional training, and the introduction of new forms of employment.

5. It will be important for Luxembourg over the period of the NRP to focus on the following challenges: accelerate the implementation of measures aimed at increasing the employment rate of older workers, in particular through reform to discourage early retirement; take further measures to reduce the number of early school leavers, and to remove the artificial barriers between different types of education; closely monitoring the impact of recently adopted measures to reduce unemployment amongst the young; and in order to deliver a more attractive economic environment, greater support is needed to deliver competitive markets, improve the transposition of EU legislation, and support SMEs. It is also important that Luxembourg take steps to reform its pension system, with a view to ensuring its long-term sustainability.

HUNGARY

1. In the light of the 2007 Hungarian Implementation Report and the Commission's assessment of progress made in implementing key structural reforms and based on the Integrated guidelines for growth and jobs, the following conclusions are appropriate:

2. Hungary has made limited progress in implementing its National Reform Programme (NRP) over the 2005-2007 period. Hungary has shown some progress in fulfilling the commitments agreed by the 2006 Spring European Council in the four priority action areas.

3. The Implementation Report shows a mixed policy response to the recommendations adopted at the Council. There has been some policy response on the additional areas identified in the Council conclusions as requiring more attention.

4. Among the strengths shown by the 2007 Implementation Report are: strong improvements on fiscal consolidation, the adoption and implementation of various structural reform steps, the shortening of the setting-up time for businesses and the efforts to reduce administrative costs, the introduction of further incentives to work and to remain on the labour market and the transformation of undeclared work into formal employment.

5. The policy areas in the Hungarian NRP where challenges need to be tackled with the highest priority are: continuing with the fiscal consolidation and correcting the excessive deficit as planned, further improving the sustainability of public finances, improving the labour market situation of disadvantaged groups, reducing persistent regional disparities in employment and reforming the education and training systems. Against this background, it is recommended that Hungary:

— continue to implement the necessary measures to ensure a durable reduction of the government deficit and of the public debt ratio, with increased reliance on the expenditure side, including through the establishment of more thorough and comprehensive fiscal rules,

— continue to reform the public administration, healthcare, pension and education systems with a view to ensuring long-term fiscal sustainability and improving economic efficiency. This should include steps to further limit early retirement, reduce the number of new recipients of disability pensions and further restructure healthcare,

— reinforce active labour market policies to improve the labour market situation of disadvantaged groups; and reduces persistent regional disparities in employment,

— ensure access to high quality education and training for all, upgrade skill levels, and increase responsiveness of education and training systems to labour market needs.

6. In addition, it will be important for Hungary over the period of the NRP to focus on the following challenges for the future: further reforming the public research system, increasing the effectiveness of public R & D expenditure and improving linkages between public and private R & D; reducing and redirecting State aids; improving the regulatory environment through further reducing administrative burden and legislative simplification; introducing further incentives to work and to remain in the labour market; ensuring better reconciliation of work and private life; completing the establishment of the integrated employment and social services system; transforming undeclared work into formal employment; and implementing the lifelong learning strategy.

MALTA

1. In the light of the 2007 Maltese Implementation Report and the Commission's assessment of progress made in implementing key structural reforms and based on the Integrated guidelines for growth and jobs, the following conclusions are appropriate:

2. Malta has made good progress in the implementation of its National Reform Programme (NRP) over the 2005-2007 period. Malta has shown good progress in fulfilling the commitments agreed by the 2006 Spring European Council in the four priority action areas.

3. The Implementation Report shows a limited policy response to recommendations adopted by the Council. There has also been a limited policy response to the additional areas identified by the Council as requiring attention.

4. Among the strengths of the Maltese NRP and its implementation are its governance and the progress achieved in fiscal consolidation as well as progress in strengthening the business environment, liberalising certain markets (e.g. ports), reforming education and increasing ICT use.

5. The policy areas in the NRP where weaknesses need to be tackled with the highest priority are competition policy and labour market problems. Against this background, it is recommended that Malta:

   — strengthen competition, notably by reducing State aids and redirecting them towards horizontal objectives as well as by reinforcing the competition authority and by further steps in opening up professional services,

   — step up efforts to attract more people into the labour market, particularly women and older workers; maintain efforts to tackle undeclared work and take further action on the benefit system to make declared work more attractive.

6. In addition, it will be important for Malta over the period of the NRP to focus on: continue implementing and reinforcing measures on healthcare reform; further improving the regulatory environment by continuing simplifying legislation, by introducing systematic impact assessments and effective one-stop shops for business start-ups; diversifying its energy sources, including enhancing energy efficiency and renewable energy and considering the possibility of connecting Malta to Europe's energy networks; continuing efforts to raise educational attainment and reduce early school leaving.

THE NETHERLANDS

1. In the light of the 2007 Dutch Implementation Report and the Commission's assessment of progress made in implementing key structural reforms and based on the Integrated guidelines for growth and jobs, the following conclusions are appropriate:

2. The Netherlands has made significant progress in implementing its National Reform Programme (NRP) over the 2005-2007 period. The Netherlands has shown a good response to fulfilling the commitments agreed by the 2006 Spring European Council in the four priority action areas.

3. The Implementation Report shows some policy response to the recommendation adopted by the Council and the additional areas identified in the Council conclusions as requiring attention, though the challenge on R & D remains significant. The Implementation Report also specifically addresses the recommendations issued to the euro area countries.

4. Among the strengths of the NRP and its implementation are: the efforts to reduce administrative burden and to improve the business climate; the ambitious plans in the area of energy and climate change; and incentives to improve childcare provision.

5. The policy area in the Dutch NRP where challenges need to be tackled with the highest priority is in improving labour supply. Against this background it is recommended that the Netherlands:

   — take further measures to improve labour supply of women, older workers and disadvantaged groups with a view to raising overall hours worked in the economy.

6. In addition, it will be important for the Netherlands over the period of the NRP to focus on the following challenge: stepping up efforts aimed at increasing private sector R & D expenditure by ensuring increased cohesion through the recently introduced new policy governance structures and putting in place a coherent strategy for R & D and innovation which addresses the interaction between private R & D and public research as well as foreign R & D investment.

AUSTRIA

1. In the light of the 2007 Austrian Implementation Report and the Commission's assessment of progress made in implementing key structural reforms and based on the Integrated guidelines for growth and jobs, the following conclusions are appropriate:

2. Austria has made significant progress in implementing its National Reform Programme (NRP) over the 2005-2007 period. Austria has shown good progress in fulfilling the commitments agreed by the 2006 Spring European Council in the four priority action areas.

3. The Implementation Report shows a limited policy response to the employment recommendation adopted by the Council. There has been some response on the additional areas identified in the Council conclusions as requiring attention. The Implementation Report also specifically addresses the recommendations issued to the euro area countries.

4. Among the strengths shown by the 2007 Austrian Implementation Report are: good practices to boost innovation, such as the innovation voucher; increased budgets for R & D in line with the 3 % target; the creation of a climate and energy fund; the successful implementation and further development of its flexicurity model.

5. The policy areas in the Austrian NRP where challenges need to be tackled with the highest priority are: increasing labour supply of older workers and improving the skills and employability of disadvantaged young people. Against this background it is recommended that Austria:

   — further improve incentives for older workers to continue working by implementing a comprehensive strategy including enhanced job-related training, adaptation of working conditions and tightening the conditions for early retirement; and improve education outcomes for vulnerable youth.

6. In addition, it will be important for Austria to focus over the period of the NRP on the following challenges: strengthening the fiscal adjustment in order to achieve a balanced budget before 2010; increasing competition in services, in particular in professional services; strengthening entrepreneurship education; identifying further emission reduction policies and measures; tackling the gender segregation of the labour market, including by further improving the availability of childcare.

POLAND

1. In the light of Poland's 2007 Implementation Report and the Commission's assessment of progress made in implementing key structural reforms and based on the Integrated guidelines for growth and jobs, the following conclusions are appropriate:

2. Poland has made limited progress in implementing its National Reform Programme (NRP) over the 2005-2007 period and has shown limited progress in fulfilling the commitments agreed by the 2006 Spring European Council in the four priority action areas.

3. The Implementation Report shows a mixed policy response to the recommendations adopted by the Council. There has been some policy response on the additional areas identified in the Council conclusions as requiring attention.

4. Among the strengths shown by Poland's 2007 Implementation report are: the attention paid to developing entrepreneurship; steps to bring down the tax burden on labour; the priority and funding allocated to active labour market measures; and the strong linkage of the NRP priorities with EU funding.

5. The policy areas in the Polish NRP where challenges need to be tackled with the highest priority are: a stronger commitment to address the sustainability of the public finances; vigorous actions to improve regulation and to promote opening of markets in network industries; implementation of the R & D reforms; further measures to address the low employment rate of older workers; better focusing of active labour market policy on the most vulnerable groups; and putting in place the lifelong learning strategy. Against this background Poland is recommended to:

   — strengthen the fiscal consolidation and supplement the nominal state budget deficit 'anchor' (deficit ceiling) with further mechanisms to enhance control over expenditure,

— improve the framework for competition in network industries, including the energy markets, *inter alia*, through a review of the role of regulators,

— pursue the reform of the public research sector with a view to R & D and innovation being boosted, and implementing the framework for private sector R & D,

— with a view to developing an integrated flexicurity approach, increase the level and efficiency of active labour market policy, notably for older persons and groups vulnerable to poverty, review benefit systems to improve the incentive to work, put in place the lifelong learning strategy, and modernise education and training systems in view of labour market needs.

6. In addition, building on the progress made, it will be important for Poland over the period of the NRP to focus on the following challenges: upgrading transport infrastructure; speeding-up the business registration process; ensuring timely implementation of the e-government programmes; and improve the transposition of internal market legislation; and increasing childcare provision with a view to reconciling work and family life.

PORTUGAL

1. In the light of the 2007 Portuguese Implementation Report and the Commission's assessment of progress made in implementing key structural reforms and based on the Integrated guidelines for growth and jobs, the following conclusions are appropriate:

2. Portugal has made good progress in implementing its National Reform Programme (NRP) over the 2005-2007 period. Portugal has shown good progress in fulfilling the commitments agreed by the 2006 Spring European Council in the four priority action areas.

3. The Implementation Report shows a good policy response to the recommendations issued by the Council. There has also been some policy response on the additional areas identified by the Council conclusions as requiring attention. The Implementation Report also specifically addresses the recommendations issued to the euro area countries.

4. Some of the strengths shown by the 2007 Portuguese Implementation Report are: the progress achieved in correcting fiscal imbalances and promoting sustainable reforms of the public administration, on pension and healthcare reform, progress on unlocking business potential and the implementation of the Technological Plan.

5. The policy areas in Portugal's NRP where challenges need to be tackled with the highest priority are: consolidating public finances, whilst further improving its quality and sustainability, and gearing public spending towards raising Portugal's growth potential; improving the efficiency of the educational system notably by improving attainment levels and reducing early school leaving; modernising employment protection to curb the segmentation of the labour market. Against this background it is recommended that Portugal:

— in the context of the ongoing fiscal consolidation and public administration reform, redirect public spending towards uses more supportive to potential economic growth, while maintaining firm expenditure control overall,

— continue the efforts to improve the efficiency of the educational system, notably by improving attainment levels of the young and reducing early school leaving based on the results obtained, and by developing a vocational training system that is relevant to the labour market needs and based on the National Qualifications Framework,

— continue efforts to modernise employment protection, including legislation to reduce the high levels of labour market segmentation, within the flexicurity approach.

6. In addition, it will be important for Portugal over the period of the NRP to focus on the following challenges for the future: narrowing its current account deficit in a sustained way; continuing to improve the long-term sustainability of public finances; pursuing the implementation of the Technological Plan, consolidating the linkages between research, higher education and industry, and involving the private sector further; continuing the liberalisation of the energy sector and ensuring effective competition in the financial services market; further implement a better regulation programme and in particular strengthen the impact assessment system; reducing the deficit in transposing EU legislation into national law; continue to fully implement measures to reduce greenhouse gas emissions; and continuing to address factors undermining social cohesion.

ROMANIA

1. In the light of Romania's 2007 Implementation Report and the Commission's assessment of the National Reform Programme (NRP) and based on the Integrated guidelines for growth and jobs, the following conclusions are appropriate:

2. Overall, the NRP focuses on the right challenges. However, in some critical areas, such as strengthening administrative capacity and improving the business environment, the programme lacks ambition. In other areas, information about the content of measures, their timelines and budgetary support is sometimes lacking which makes it difficult to assess whether measures will bring solutions to the problems and challenges identified.

3. The programme's strengths include initiatives aimed at implementing a medium-term expenditure framework, reducing non-wage labour costs and reforming research structures.

4. The policy areas in the Romanian NRP where challenges need to be tackled with the highest priority are: strengthening administrative capacity, addressing overheating and improving budget planning and the quality of expenditure; cutting red tape and activating labour supply and raising skill levels. Against this background, it is recommended that Romania:

   — urgently strengthen administrative capacity at both central and local levels of government by building up effective regulatory, control and enforcement capacity,

   — avoid pro-cyclical fiscal policy to contain the growing current account deficit and inflationary pressures, keep wage developments in line with productivity growth and improve budget planning and execution as well as the quality of public finances by reviewing the composition of public spending and by reducing and redirecting State aid to horizontal objectives,

   — take rapid measures to reduce substantially administrative procedures and delays to obtain authorisations as part of a coherent better regulation policy in order to improve the business environment, which will also help in the fight against corruption,

   — implement an integrated approach to increasing employment, activity rates and productivity levels, especially by accelerating reforms of the education system to respond better to labour market needs, by reducing early school leaving, by significantly increasing adult participation in education and training; and by transforming subsistence/semi-subsistence farming into sustainable employment.

5. In addition it will be important for Romania over the period of the NRP to focus on: taking further measures to ensure the long-term sustainability of public finances, in particular with regard to potential risks in terms of adequacy and sustainability of pensions; reinforcing measures to tackle fragmentation of the research base whilst ensuring that planned increases in public research funding yield effective returns by vigorously implementing the national R & D and innovation strategy and by regularly monitoring its results; pursuing a more integrated approach to infrastructure development and roll-out of ICT; intensifying efforts to tackle undeclared work; improving the effectiveness and geographical scope of public employment services, particularly to assist vulnerable groups.

SLOVENIA

1. In the light of the 2007 Slovenian Implementation Report and the Commission's assessment of progress made in implementing key structural reforms and based on the Integrated guidelines for growth and jobs, the following conclusions are appropriate:

2. Slovenia has made good progress in implementing its National Reform Programme (NRP) over the 2005-2007 period. Slovenia has also been showing some progress in fulfilling the commitments agreed by the 2006 Spring European Council.

3. The Implementation Report shows some policy response to the recommendations issues by the Council. There has also been some policy response on the additional areas identified in the Council conclusions as requiring attention. The Implementation Report does not specifically mention the recommendations issued to the euro area countries, although a clear link is established in the accompanying reporting table.

4. Among the strengths shown by the 2007 Implementation Report are: progress in consolidating public finances; the involvement of social partners in drafting all major labour market reforms; efforts to strengthen the link between education and scholarship systems and the economy; the shortening of business start-up times and the reduction of administrative burden. Slovenia's entry into the euro area is the central achievement in the macro field.

5. The policy areas in the NRP where challenges need to be tackled with the highest priority are: further pension reform and effective implementation of the active ageing strategy; additional attention to a more flexible labour market combined with a more effective personalised approach in the implementation of active labour market policies. Against this background it is recommended that Slovenia:

— take further steps to strengthen the reform of the pension system and promote active ageing, with a view to increasing the employment rate of older workers and improving long-term sustainability,

— within an integrated flexicurity approach and building on recent reforms promote more flexible contractual arrangements to counter labour market segmentation mainly affecting young people and further improve the effectiveness of employment services, particularly in relation to persons with low employment prospects.

6. In addition, it will be important for Slovenia to focus over the period of the NRP on the following challenges: intensify the implementation and, where necessary, the development of the national research and innovation strategy; also with a view to containing inflation, improve competition in the services sector, with particular emphasis on retail, financial services, some utilities and professional services; improve implementation of energy efficiency measures, particularly with regard to CO_2 emissions and unfulfilled Kyoto targets; implement the ambitious plans to strengthen the link between the education system and the labour market.

SLOVAKIA

1. In the light of the 2007 Slovak Implementation Report and the Commission's assessment of progress made in implementing key structural reforms and based on the Integrated guidelines for growth and jobs, the following conclusions are appropriate:

2. Slovakia has made some progress in implementing its National Reform Programme (NRP) over the 2005-2007 period. There has been a limited response in fulfilling the commitments agreed by the 2006 Spring European Council in the four priority areas.

3. The Implementation Report shows a mixed policy response to the recommendations adopted by the Council. Further reforms are necessary to increase R & D and education expenditure, implement strategies in the microeconomic area, to tackle long-term unemployment and to complete education and training reform. There has been a mixed response on the additional areas identified in the Council conclusions as requiring attention.

4. Among the strengths shown by the 2007 Slovak Implementation Report are: the reduction foreseen for the public finance deficit to below 3 % of GDP in 2007; the adoption of a number of strategy documents in the area of R & D and innovation, energy efficiency and renewably energy; the partial implementation of a one-stop shop for start-up companies; the revision of employment legislation; the adoption of the lifelong learning strategy; and efforts to revise active labour market policies to better comply with labour market developments.

5. The policy areas in the Slovak NRP where challenges need to be tackled with highest priority are: increasing expenditure to education, R & D and innovation; improving the regulatory environment; tackling long-term unemployment; completing the reform of the education and training system and raising its quality in line with labour market needs. Against this background, it is recommended that Slovakia:

— duly implement a coherent R & D and innovation strategy with a particular focus on the institutional reform of the public research sector and substantial improvement of business-research cooperation while reallocating resources to R & D and innovation and education,

— improve the regulatory environment, notably by implementing a comprehensive better regulation strategy covering both impact assessment and simplification of existing legislation,

— within an integrated flexicurity approach, ensure implementation of the lifelong learning strategy addressing the needs of the labour market, complete the reforms of primary, secondary and tertiary education to improve qualification and skill levels, and enhance access to employment, notably for the long-term unemployed and vulnerable groups.

6. In addition, it will be important for Slovakia over the period of the NRP to focus on: further developing ICT policies, especially for broadband infrastructure; full implementation of one-stop shops for start-up companies; introducing entrepreneurship education; increasing competition in power supply; addressing the gender gap in pay and employment; developing an active ageing strategy; and creating job opportunities for young people.

FINLAND

1. In light of the 2007 Implementation Report for Finland and the Commission's assessment of progress made in implementing key structural reforms and based on the Integrated guidelines for growth and jobs, the following conclusions are appropriate:

2. Finland has made very good progress in implementing its National Reform Programme (NRP) over the 2005-2007 period. Good progress has been shown in fulfilling the commitments agreed by the 2006 Spring European Council in the four priority action areas.

3. The Implementation Report shows some policy response on the additional areas identified by the Council as requiring attention. The Implementation Report also specifically addresses the recommendations issued to the euro area countries.

4. Among the strengths of the 2007 Implementation Report are the ongoing reforms to further improve the functioning of the national innovation system and the observed increase in the employment rate of older workers.

5. It will be important for Finland over the period of the NRP to focus on the following challenges: continue reforms to improve competition and productivity in some services, and create the necessary leverage to reduce high price levels; implement announced measures to reach its Kyoto target; continue reforms to address bottlenecks in the labour market, with a particular view to tackling high structural unemployment, especially unemployment of low-skilled workers, including young people, and taking into account the contribution economic migration can make.

SWEDEN

1. In the light of Sweden's 2007 Implementation Report and the Commission's assessment of progress made in implementing key structural reforms and based on the Integrated guidelines for growth and jobs, the following conclusions are appropriate:

2. Sweden has made very good progress in implementing its National Reform Programme (NRP) over the 2005-2007 period. Sweden has also shown very good progress in fulfilling the commitments agreed by the 2006 Spring European Council in the four priority action areas.

3. The Implementation Report shows a good policy response to the areas identified by the Council as requiring attention.

4. Among the strengths shown by the 2007 Implementation Report are: the action plan for regulatory simplification and the commitment to improve the impact assessment system; the progress with increasing labour supply and reducing unemployment; the sustainable use of energy; and the progress made on increasing public investment in R & D.

5. It will be important for Sweden to take further regulatory measures to increase competition, notably in services; and to focus on the implementation and impact evaluation of recent reforms to increase work incentives, to tackle youth unemployment, to raise the employment rate of immigrants and to reintegrate people on sickness-related schemes.

UNITED KINGDOM

1. In the light of the UK's 2007 Implementation Report and the Commission's assessment of progress made in implementing key structural reforms and based on the Integrated guidelines for growth and jobs, the following conclusions are appropriate:

2. The UK has made significant progress in implementing its National Reform Programme (NRP) over the 2005-2007 period. The UK has shown good progress in fulfilling the commitments agreed by the 2006 Spring European Council in the four priority action areas.

3. The Implementation Report shows a good policy response to the recommendation issued by the Council. There has also been a good policy response on the additional areas identified in the Council conclusions as requiring attention.

4. Among the strengths shown by the 2007 UK Implementation Report are: the plans to provide an integrated approach to employment and skills, moves towards the creation of a business-friendly regulatory environment, and the forward-looking plans on energy policy.

5. The policy areas in the UK NRP where challenges need to be tackled with the highest priority are improving skill levels to increase productivity and reduce disadvantage in the labour market. Against this background it is recommended that the UK:

   — implement recent plans to substantially improve skill levels and establish an integrated approach to employment and skills in order to improve productivity and increase opportunities for the disadvantaged.

6. In addition, it will be important for the UK to focus on the following challenges for the future: progressively increase housing supply in order to meet medium-term demand pressures; ensure progress towards the UK's R & D intensity target through full implementation of the recent review of R & D and innovation policy, particularly taking fuller account of the specific needs of the services sector.

EURO AREA MEMBER STATES

1. In the light of the 2007 Implementation Reports of the euro area Member States, and the Commission's assessment of progress made in implementing key structural reforms and based on the Integrated guidelines for growth and jobs, the following conclusions are appropriate:

2. Based on their Implementation Reports, the euro area Member States have been making some progress in implementing policy measures that improve the functioning of the euro area.

3. Significant further reforms are necessary to fulfil the microeconomic and employment recommendations. The progress recorded in 2007 concerning the macroeconomic area needs to be sustained.

4. Among the strengths shown by the 2007 Implementation Reports of the euro area Member States are: budgetary adjustment in 2007, the implementation of legislation to foster financial market integration, and wage bargaining systems more conducive to wage flexibility in some Member States.

5. The policy areas in the euro area where challenges now need to be tackled with the highest priority are: the sustainability of public finances and their contribution to growth; competition in product markets, especially in services, financial integration and competition in financial retail services, in order to facilitate adjustment and more flexible prices; adequate wage developments at the aggregate, sector, regional and occupational level in line with productivity developments in order to ensure competitiveness; flexicurity in labour markets in accordance with the agreed common principles; and more labour mobility in order to foster labour market adjustment.

6. Against this background it is recommended that the euro area Member States together with their country specific recommendations:

   — continue pursuing budgetary consolidation towards their medium-term objectives in line with the Stability and Growth Pact, hence striving to achieve an annual structural adjustment of at least 0,5 % of GDP as a benchmark. The Eurogroup in April 2007 agreed on 'taking advantage of the favourable cyclical conditions, most euro area members would achieve their medium-term objectives in 2008 or 2009 and all of them should aim for 2010 at the latest'. Budgetary positions where medium-term objectives have been attained should be maintained,

   — improve the quality of public finances by reviewing public expenditures and taxation and by modernising public administration, with the intention to enhance productivity and innovation, thereby contributing to economic growth, employment and fiscal sustainability,

   — effectively implement measures that improve competition, especially in services, and step up measures that promote the full integration of financial markets and the competition in retail financial services, whilst strengthening stability arrangements and supervisory convergence,

   — improve flexibility and security on labour markets, *inter alia*, by implementing flexicurity principles tailored to the specific circumstances of each Member State and fully compatible with sound and financially sustainable public budgets, better aligning wage and productivity developments so as to enhance growth and competitiveness, and enacting measures to promote labour mobility across borders and between occupations.

7. To maximise policy synergies, which are stronger in a monetary union, and enhance political ownership of reforms, euro area Member States should continue to strengthen policy coordination in the context of the Eurogroup and in international forums, and existing agreements for the external representation of the euro area should be fully implemented. This would significantly contribute to successfully addressing policy challenges within the euro area and in the global economy. The Eurogroup's April 2007 Berlin orientations on public finances are a welcome step in this regard. Euro area Member States are invited to take into account these recommendations in their national policies. The Eurogroup will regularly review their implementation.