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COM(2015) 255 final

Recommendation for a

COUNCIL RECOMMENDATION

on the 2015 National Reform Programme of Denmark

and delivering a Council opinion on the 2015 Convergence Programme of Denmark

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THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Articles 121(2) and 148(4) thereof,

Having regard to Council Regulation (EC) No 1466/97 of 7 July 1997 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies¹, and in particular Article 9(2) thereof,

Having regard to the recommendation of the European Commission²,

Having regard to the resolutions of the European Parliament³,

Having regard to the conclusions of the European Council,

Having regard to the opinion of the Employment Committee,

Having regard to the opinion of the Economic and Financial Committee,

Having regard to the opinion of the Social Protection Committee,

Having regard to the opinion of the Economic Policy Committee,

Whereas:

- (1) On 26 March 2010, the European Council agreed to the Commission's proposal to launch a new strategy for growth and jobs, Europe 2020, based on enhanced coordination of economic policies. The strategy focuses on the key areas where action is needed to boost Europe's potential for sustainable growth and competitiveness.
- (2) On 13 July 2010, the Council, on the basis of the Commission's proposals, adopted a recommendation on the broad guidelines for the economic policies of the Member States and the Union (2010 to 2014) and on 21 October 2010 it adopted a decision on guidelines for the employment policies of the Member States. Together these form the 'integrated guidelines' which Member States were invited to take into account in their national economic and employment policies.

¹ OJ L 209, 2.8.1997, p. 1.

² COM(2015) 255.

³ P8_TA(2015)0067, P8_TA(2015)0068, P8_TA(2015)0069.

- (3) On 8 July 2014, the Council adopted a recommendation on Denmark's National Reform Programme for 2014 and delivered its opinion on Denmark's updated Convergence Programme for 2014.
- (4) On 28 November 2014, the Commission adopted the Annual Growth Survey⁴, marking the start of the 2015 European Semester of economic policy coordination. On the same day, on the basis of Regulation (EU) No 1176/2011, the Commission adopted the Alert Mechanism Report⁵, in which it did not identify Denmark as one of the Member States for which an in-depth review would be carried out.
- (5) On 18 December 2014, the European Council endorsed the priorities for boosting investment, accelerating structural reforms and pursuing responsible growth-friendly fiscal consolidation.
- (6) On 26 February 2015, the Commission published its 2015 country report for Denmark⁶. This assessed Denmark's progress in addressing the country-specific recommendations adopted on 8 July 2014.
- (7) On 27 March 2015, Denmark submitted its 2015 National Reform Programme and its 2015 Convergence Programme. To take account of their interlinkages, the two programmes have been assessed at the same time.
- (8) Denmark is currently in the preventive arm of the Stability and Growth Pact. In its 2015 Convergence Programme, the government plans a widening of the headline deficit from 1.6% of GDP in 2015 – when it was supported by considerable windfall gains – to 2.6% of GDP in 2016. Thereafter, the government plans to reduce the deficit so as to reach a balanced budget in 2020. According to the Convergence Programme, the government plans to meet the medium-term objective – a structural deficit of 0.5% of GDP – from 2016 onwards. According to the Convergence Programme, the government debt-to-GDP ratio is expected to decline gradually from 39.8% in 2015 to 36.7% in 2020. The macroeconomic scenario underpinning these budgetary projections is plausible. Based on the Commission's 2015 spring forecast, the structural balance is expected to comply with the medium-term objective in 2015. However, based on this forecast there is a risk of some deviation from the medium-term objective in 2016, with an excess of 0.3% of GDP of net expenditure growth over the benchmark. While this deviation is expected to be temporary as growth in net expenditure in 2016 is influenced by the phasing out of one-off measures related to taxation of pension savings, further measures may be necessary for 2016. Based on its assessment of the Convergence Programme and taking into account the Commission's 2015 spring forecast, the Council is of the opinion that Denmark is expected to broadly comply with the provisions of the Stability and Growth Pact.
- (9) An adequately skilled long-term labour supply is a precondition for sustainable growth in Denmark. With the 2014 active labour market policy reform, Denmark has made progress on improving the employability of people at the margins of the labour market. The reform is at an early stage of implementation and its results need to be monitored. Additional measures for those most excluded from the labour market are still needed, in line with the Carsten-Koch II expert group recommendations. Low educational attainment, limited labour market experience, youth and migrant

⁴ COM(2014) 902.

⁵ COM(2014) 904 final.

⁶ SWD (2015) 24 final.

background appear to be key factors in this respect. In general, the labour market potential of people from migrant backgrounds remains underutilised. Despite the high expenditure on education in Denmark, educational outcomes are only average, in particular for pupils from migrant backgrounds. The reform of the primary and lower secondary school and the vocational education and training systems aims to address this challenge. Full implementation of these reforms is needed in order to improve educational outcomes.

- (10) Improved competitiveness is essential to strengthen economic recovery in Denmark. Productivity growth, which is vital in this regard, has generally been weak over the past two decades and has been affected by barriers to entry and regulatory burden in services sectors oriented to the domestic market. The Productivity Commission has identified the construction and retail sectors as areas in which productivity could be improved. Retail establishment regulations are very strict and no action has been taken to ease them. The construction sector is characterised by demanding building regulations and a large number of certification schemes. The Danish Government presented a strategy on construction in November 2014. This sets out good intentions, such as the simplification of rules, the streamlining of technical elements of building applications, the introduction of international standards, the harmonisation of national standards, and the reduction of time taken to issue building permits. However, the strategy has yet to be entirely translated into concrete measures. There are still overlapping authorisation and certification schemes, which in some cases also apply to the temporary provision of cross-border services. Furthermore, authorisations and certifications issued in other Member States are not always taken into account when service providers want to establish their business in Denmark.
- (11) In the context of the European Semester, the Commission has carried out a comprehensive analysis of Denmark's economic policy and published it in the 2015 country report. It has also assessed the Convergence Programme and the National Reform Programme and the follow-up given to the recommendations addressed to Denmark in previous years. It has taken into account not only their relevance for sustainable fiscal and socioeconomic policy in Denmark but also their compliance with EU rules and guidance, given the need to strengthen the overall economic governance of the European Union by providing EU-level input into future national decisions. The recommendations under the European Semester are reflected in recommendations 1 to 2 below.
- (12) In the light of this assessment, the Council has examined Denmark's Convergence Programme and its opinion⁷ is reflected in particular in recommendation 1 below,

HEREBY RECOMMENDS that Denmark take action in 2015 and 2016 to:

1. Avoid deviating from the medium-term objective in 2016.
2. Enhance productivity, in particular in the services sectors oriented towards the domestic market, including retail and construction. Ease the restrictions on retail

⁷ Under Article 9(2) of Council Regulation (EC) No 1466/97.

establishments and take further measures to remove remaining barriers posed by authorisation and certification schemes in the construction sector.

Done at Brussels,

*For the Council
The President*