



EUROPEAN COMMISSION

September 2015

Guidance for the Economic Reform Programmes

I. INTRODUCTION

- a) The Western Balkan countries and Turkey submitted their first annual Economic Reform Programmes in January 2015. The 2016 Economic Reform Programmes should be submitted to the Commission no later than 31 January 2016. As 2015 was considered a pilot phase, this is the first regular Economic Reform Programme exercise. This guidance note takes into account lessons learned from the pilot exercise and aims to provide guidance for the preparation of the 2016 programme. Input received from the enlargement countries has been central for the recalibration of the exercise.
- b) For the Western Balkans, the 2016 ERPs will no longer comprise two parts. Instead, all seven countries are asked to submit one Economic Reform Programme containing on the one hand a medium-term macro-economic and fiscal policy framework including supporting fiscal measures (sections 2 and 3) and on the other hand a comprehensive structural reform agenda outlining public policies concerning infrastructure, sector reforms, private sector development and business environment, technology and innovation, trade integration, labour market and poverty alleviation policies.
- c) The specific dialogue on Employment and Social Reform Programmes started with Turkey, Serbia, Montenegro and the Former Yugoslav Republic of Macedonia will be integrated into the ERP exercise from this year onwards. In coherence with the approach of the National Reform Programmes of the EU Member States, employment and social policies are a core factor in the coordination of fiscal, macroeconomic and structural policies. In the ERP, countries should identify the key employment and social challenges and present planned policy reforms for smart, sustainable and inclusive growth with regard to labour market and employment, human capital and skills and social inclusion and protection.
- d) The focus should be on the fulfilment of targeted policy guidance that were provided to partner countries by the Economic and Financial Dialogue in May 2015. **All reform measures included in the ERP must be fully costed. Details of the budgetary implications of each reform measure shall be included in table 10 of the annex. Technical assistance (TA) is available to support partner countries in this exercise.**

II. STRUCTURE AND FORMAT

- a) A strong link between the macro-economic and fiscal scenario (sections 2 and 3) and the reform agenda outlined in section 4 is essential for the comprehensiveness and credibility of the programme. The programme should cover - on an annual basis - the period 2016-2018¹. However, programmes may cover a longer horizon, if countries so wish.
- b) With respect to the common external assumptions we suggest to use as far as possible the Commission's autumn forecast, which will be published in early November. The required information is also available in the forecast document.² The latest Commission forecasts can be found on the DG ECFIN's website:
http://ec.europa.eu/economy_finance/eu/forecasts/index_en.htm
- c) Countries are invited to supply quantitative information by submitting the standardised set of tables 1-9 in the Annex also as a spread sheet document, readable by common office programmes. The ERP shall not exceed 85 pages in length, with some 40 pages for the

¹ In addition, several of the data tables require figures for 2014 and 2015.

² The Commission's technical assumptions on interest rates, exchange rates and oil prices usually can be found in chapter 1 of the forecast text, in a special box on technicalities behind the forecast. Estimates on global GDP growth and world trade are presented in the publication's statistical annex, in the tables 55-58. Projections on commodity prices can be found in table 66 of the data annex.

macroeconomic framework and the fiscal framework together. **The section on structural reforms shall not contain more than 15-20 reforms** and shall not exceed 40 pages in length. A separate annex shall be added that provides information on the consultation process of external stakeholders. Further information and analysis should be added as additional annexes to the main document.

- d) The Guidance on the Economic Reform Programmes will be updated on an annual basis, and will take into account any developments with regard to the European Semester process at the EU level.

III. INTERNAL COORDINATION

- a) The Economic Reform Programmes should be prepared following a process that ensures broad ownership at national level. This, together with a strong government commitment, will ensure that these programmes become the main framework within which the countries steer their economic reforms.
- b) Preparation of the ERP should be centrally coordinated and endorsed at the highest level. An official coordinator should be appointed within the government that steers the process, ensures the oneness of the ERP and ensures a widespread consensus. This coordinator could be attached to the Prime Minister's Office or to a line Ministry, but his/her role is to objectively arbitrate between line Ministries to distil structural reforms that are true priorities of the government. In addition, ERP coordinators should be appointed within each relevant line-Ministry. Together they would form an ERP network that would ensure broad ownership of the exercise.

IV. CONSULTATION OF NATIONAL STAKEHOLDERS

- a) It is also crucial to involve and consult other stakeholders such as the national parliament, regional and local authorities, social partners and civil society in this process. The key stakeholders should be fully involved, both in identification of key reform needs and in the implementation of the principal reform measures.
- b) The ERP should be drafted in a language that facilitates the continued interaction with stakeholders and interested parties and thus increases ownership of the process. Jargon and technical language should be kept to a minimum. The programme and its preparation can help ensuring ownership and inclusiveness of the reform process internally within the country and serve as a communication tool. It will also allow better targeting of future IPA assistance and help attract private investors.

V. SOUTH EAST EUROPE 2020 STRATEGY AND TARGETS, TURKISH 10TH DEVELOPMENT PLAN

- a) The Western Balkan countries have adopted the South East Europe 2020 strategy (SEE 2020). This is modelled on the Europe 2020 strategy and it seeks to promote a comprehensive approach to the economic development of the region by stimulating key long-term drivers of growth – innovation, skills and trade integration.
- b) Turkey's development concept is based on a broad 5-year non-rolling development strategy. This long-term strategy is translated into medium-term rolling programmes, annual programmes and corresponding investment plans. The current long-term strategy, the 10th Development Plan (2014-2018), is to centre around human development and includes 25 primary transition areas, the most of which focussing on reducing import dependency and strengthening macro-economic performance.
- c) The reforms identified in the ERPs should converge with the regional and national targets set within the framework of the SEE 2020 Strategy and the 10th Turkish Development Plan where relevant, keeping in mind the overall objective of competitiveness of the ERP. More

specifically, for each measure, information should be provided on the potential impact on the relevant targets.

VI. TECHNICAL ASSISTANCE AND FUNDING FROM THE INSTRUMENT FOR PRE-ACCESSION ASSISTANCE (IPA)

- a)** The Commission is ready to support the development of the Economic Reform Programmes and the assessment of budgetary impact of reforms, by providing TA that will help build capacity and develop expertise in the national administrations. Each country coordinator is asked to reflect on his/her country's specific needs for TA and to communicate it to the Commission.
- b)** A credible reform agenda outlined in the Economic Reform Programmes will be supported through substantial IPA funding. The Commission will work closely with the International Financial Institutions to help deliver and finance major structural reforms. IPA will also support governments' reform priorities and relevant action plans in selected sectors, including priority investments that are part of the single sector investment pipeline. A clear prioritisation of reforms is not only relevant to ensure IPA funding but should also help attract private investors.

VII. CONTACT POINTS AT THE EUROPEAN COMMISSION

- a)** In case of questions or comments related to the macro-economic and fiscal framework, please contact Mr Istvan Jakab in DG ECFIN at Istvan.Jakab@ec.europa.eu. For questions or comments related to competitiveness, please contact Mr Bernard Brunet in DG NEAR at Bernard.Brunet@ec.europa.eu. For questions or comments related to employment and social policy, please contact Mr Thomas Bender in DG EMPL at Thomas.Bender@ec.europa.eu.



EUROPEAN COMMISSION

2016 ECONOMIC REFORM PROGRAMME (ERP)

OUTLINE

The expected structure and content of the ERP is described in more detail below. The outline is meant to guide partner countries in drafting the ERP to guarantee that the provided information is suitable and comparable across countries.

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1. OVERALL POLICY FRAMEWORK AND OBJECTIVES (MAX 3 PAGES)

This section will briefly explain the status of the ERP in the context of national procedures, e.g. specifying whether it has been adopted by parliament and whether it has been subject to a wide-reaching national consultation process with external stakeholders. Furthermore, it should briefly describe the current policy framework for the medium term and spell out the main policy objectives embedded in that framework. Countries are encouraged to include cross-references to the Commission's assessment in the respective Progress Report.

At this point the programme will also contain, in a box or otherwise clearly distinguished from the rest of the text, a concise overview of the measures taken or planned to be taken over the duration of the programme to implement the targeted policy guidance that was adopted by the Economic and Financial Dialogue in May 2015. The following sections on the medium-term macroeconomic and fiscal framework should be consistent with these measures and should refer back to them and their expected impact where appropriate.

2. MACROECONOMIC FRAMEWORK (MAX 15 PAGES)

The economic framework should start with a short overview of the programme's expectations on the development of the world economy and a brief description of the programme's underlying technical assumptions.³

2.1. Recent economic developments

This sub-section will present a very brief overview of developments during 2015, focussing upon key economic aggregates such as output, consumption, investment, employment, productivity, wages, the external sector, inflation, monetary and credit variables, as well as the exchange rate.⁴ A more in-depth analysis of particular macroeconomic issues should be developed in the following sub-section.

Furthermore, the text will compare the economic trends occurred since the last submission to those envisaged in the previous document. The comparison should highlight the reasons for any significant deviation from expected trends.

2.2. Medium-term macroeconomic scenario

The programme is expected to provide a realistic and consistent medium-term macroeconomic scenario. Significant divergences between the national and the Commission services' autumn 2015 forecasts (if available) will be explained in some detail. In such cases, it would be useful to give some indications on the effect that adopting the European Commission external assumption would have on the main variables in the programme framework (growth, inflation, budget balance and current account balance). Due attention should be paid to the issue of the economic policy mix supporting the envisaged macroeconomic developments.

The macroeconomic framework should discuss the outlook of each of the following core macroeconomic areas separately and explain any significant revision in projected trends relative to the previous submission.

³ Table 8 in the Annex should summarise the key data for this sub-section. In case of major revisions compared to the previous programme or of significant deviations between the programme's assumptions and those of the European Commission, comments in Table 8 should be used for clarification.

⁴ The discussion in this sub-section should be based on the data provided in Tables 1 and 2 in Annex and any other table the authorities may wish to add.

Real sector

The programme will provide sufficient information about the outlook of the real sector to allow an analysis of the cyclical position of the economy. The assumptions on real GDP growth should be underpinned by an indication of the expected sources of growth, both in terms of changes in factors of production, and aggregate demand.

Monetary and exchange rate policy and inflation

The programme will present briefly the current policy stance and the intended monetary policy and their relationship to price stability, the exchange rate regime and, more generally, the policy mix. The authorities are invited to provide a description of current exchange rate arrangements and any proposed changes in light of the medium-term sustainability of current arrangements. In addition, the authorities should present the expected path for inflation, and explain the policy instruments which will be used to achieve any inflation target.

Significant changes in policy targets or instruments relative to the previous submission should be noted and explained, for both the monetary and exchange rate policy and inflation parts.⁵

External sector and its medium-term sustainability

This sub-section will assess the past and expected future evolution of the current account balance, including its main contributing elements (e.g. goods/services balance, net primary income balance, current transfers). It will also assess to what extent the evolution of the current account is cyclical or structural. So as to assess balance of payment vulnerabilities, the programme will also provide an analysis of capital flows and their composition (FDI inflows, portfolio investments as well as debt-generating flows).

In order to complement the flow analysis with stock assessments, the discussion should, also refer to the evolution of the country's net international investment position (NIIP). So as to better assess vulnerabilities, it is recommended to focus separately on liabilities that require repayment of principal or interest as opposed to non-debt generating liabilities. In this respect, the major risks that could affect the refinancing of external debt will be identified, e.g. by referring to the maturity composition of the debt, as well as the interest and exchange rate evolution. Projected developments in external reserves relative to imports and short-term debt will also be covered.

The discussion will be complemented by an analysis of the prospects for the country's export performance, including the expected evolution of its geographical and sectoral composition. The country's position with respect to price and cost competitiveness will also be assessed by making use of conventional indicators, such as the Real Effective Exchange Rate⁶, the Nominal Unit Labour Costs, etc. In addition, changes in overall export market shares of goods and services will also be assessed so as to evaluate both price and non-price competitiveness. This part will end with a short overall assessment of the medium-term sustainability of the country's external position.

In addition, and in order to complement the macro analysis above, this sub-section should provide a qualitative assessment of the openness of national product markets to increased competition and further integration in the EU economy. It will be based upon recent developments in: (i) trade openness, (ii) FDI performance and (iii) obstacles to trade in goods and services, and to cross-border investments.

⁵ Table 1a and 1b in Annex could be referred to.

⁶ Please provide a brief explanation, how the REER is calculated, including information on the weighting of the currency basket and the deflator used.

In the event that any potential problems are identified, the authorities are expected provide a description of their policy proposals. Significant changes in policy targets or instruments relative to the previous submission should be noted and explained.⁷

Financial sector

The authorities should provide quantitative and qualitative information on the development of the financial sector, including on its intermediary role between investors and savers. A discussion of projected developments in domestic credit should be included, in particular referring to the development of private sector credits and private sector debt. Projected trends in the composition and currency denomination of domestic credit flows will be discussed on the basis of data on the foreign currency liabilities of different sectors of the economy to the banking system, to non-banking financial institutions and to external creditors. The stability of the domestic financial and banking system should be assessed and any weaknesses, which could potentially threaten its stability, will be highlighted. Risks related to the possible feed-back loops between the real economy and the financial sector should be assessed.

The programme will also provide information on any planned financial sector reform; in particular, prudential, supervisory and regulatory changes foreseen over the programme period to foster financial stability should be highlighted, along with measures to address NPL resolution.

2.3. Alternative scenarios and risks

This sub-section should provide an assessment of the main upside and downside risks underlying the macroeconomic scenario. In the case that risks to the baseline scenario are identified, an alternative macroeconomic scenario is strongly encouraged, clearly specifying all the differences in assumptions and trends between scenarios.

3. FISCAL FRAMEWORK (MAX 25 PAGES)

3.1. Policy strategy and medium-term objectives

This sub-section will serve as an introduction and should explain the programme's overall fiscal policy strategy. Particular attention will be devoted to putting the fiscal policy objectives into the broader context of the overall economic policy framework. The programme will include a description of the structure and efficiency of revenue systems as well as the composition and effectiveness of expenditure and highlight major improvements that will be introduced by the fiscal strategy. The description of the fiscal strategy should take into account the Commission's assessment in the respective Progress Report and assessments of the previous ERP.

3.2. Budget implementation in 2015

In this part, the programme will describe the budgetary implementation for 2015. The development of the main expenditure and revenue categories should be briefly described and compared with the budget for 2015⁸ and reasons for deviations assessed.

3.3. Medium-term budgetary outlook

This sub-section will describe for the whole programme period the budgetary and other economic measures being taken, or proposed, to achieve the fiscal objectives of the programme. It will include an update of the 2016 budget and of the fiscal plan for 2017-2018 and a description and quantification of the underlying policies and measures. The programme should illustrate the

⁷ Tables 1a, 1d, 1f, 1g and 8 in Annex could be referred to.

⁸ Where relevant, the comparison should also be made with the revised 2015 budget.

feasibility of the government's fiscal objectives by means of a projection of the main fiscal aggregates.

To allow for a comprehensive understanding of the path of the government balance and of the budgetary strategy in general, the programme will spell out expenditure and revenue ratios and their components. This is expected to be underpinned by quantitative and qualitative information on the most significant policy measures on the revenue and expenditure sides that will support the outlined fiscal strategy, such as in the area of taxation, public sector wages and employment, social benefit system, subsidy reforms etc. One-off and other temporary measures should be clearly distinguished from permanent ones.

Information should also be given as to whether the budgetary scenario is based on the accomplishment of the structural reforms outlined elsewhere in the programme. To this end, cross-references to section 4 would be very useful.

The programme will also provide information on the plans to finance current and future government deficits and on the sources of such financing (including, where possible, Community resources), and any plans to access debt markets.⁹

3.4. Structural balance (cyclical component of the deficit, one-off and temporary measures, fiscal stance)

Countries are invited to present their views on the cyclical position of the economy and its impact on the budgetary position. The text should discuss the factors affecting potential growth and cyclical developments as well as the parameters, data and methodology used for the projections.

3.5. Debt levels and developments, analysis of below-the-line operations and stock-flow adjustments

The programme will describe the institutional arrangements governing the management of public and publicly guaranteed domestic and external debt. Any proposed changes to these arrangements should be specified. In those cases where borrowing limits have been introduced, the programme should explain the key elements of the ceilings.

This sub-section will also provide a description of the key features of the existing debt stock and a projection of its evolution and its determinants. Key assumptions, such as those concerning interest rate and exchange rate movements, should be made explicit. Where relevant, sensitivity analyses are encouraged.

Contingent liabilities

This sub-section will provide an estimate of contingent liabilities such as state guarantees on non-sovereign borrowing, the obligations of state owned financial institutions, the obligations of quasi-governmental organisations, bank bail-outs, and the clearing of enterprise arrears and liabilities. In this context it could prove useful to describe envisaged "fall-back positions", i.e. compensatory measures to be taken if necessary.

3.6. Sensitivity analysis and comparison with the previous programme

Sensitivity of the budgetary projections to alternative scenarios and risks

⁹ Data should be provided on the basis of Tables 2, 3, 6 and 7 in Annex and be comparable with those of the fiscal notification. Only if this should still be impossible due to the limited availability and/or preliminary nature of ESA 2010 fiscal data, GFS data should be used as an alternative. The exact reasons for doing so should be clearly stated along with a detailed calendar setting out the actions needed to correct these outstanding methodological weaknesses.

This sub-section will provide an assessment of the main upside and downside risks to the fiscal scenario over the programme period.

It will be accompanied by a sensitivity analysis of the impact of changes to main economic assumptions (in particular, GDP growth, interest rates and exchange rates) and/or the alternative macroeconomic scenario presented in section 2 on the fiscal position.

Comparison with the previous programme

Budgetary outcomes and current policy plans should be briefly compared with the targets presented in the previous programme, assessing the reasons for any significant difference in outcomes and future targets.

3.7. Sustainability of public finances

The authorities will spell out their policy strategy with respect to the sustainability of public finances. In support of this strategy, the programmes will present an analysis of the long-term sustainability of public finance, especially in light of the envisaged trends in pension and health care expenditures¹⁰.

The underlying policies should be appropriately described and projections should be based on a "current policy scenario". In case of planned but not yet implemented reforms, an alternative "reform scenario" table should also be provided and reforms, such as in the area of pension and health care, should be outlined.

3.8. Institutional features

The programme will describe envisaged institutional developments with regard to the quality of public finances, for example changes to budgetary rules/institutions, improvements in the planning, control and efficiency of expenditure (e.g. formulation of expenditure norms; current vs. capital expenditure, value-for-money reviews) or in the budgetary process in general (e.g. introduction of multi-annual budgeting; formulation of national stability pacts) as well as measures to improve the efficiency of tax revenue collection and revenue forecasting.

Information will also be provided on any implemented or planned changes in public finance statistical standards and methodologies, structural measures or institutional changes that would affect the budget.

4. STRUCTURAL REFORM PRIORITIES IN 2016-2018 (MAX 40 PAGES)

This section should be forward-looking and will first provide a concise overview of the main structural obstacles to growth and competitiveness at national level (e.g. labour market and product market weaknesses, barriers to do business etc.). Following this overview, the discussion on structural obstacles to competitiveness shall be broken down by area (outlined below) to explain in more details the current state of the economy. The section should also identify 15-20 priority reform measures, spread across the areas, which would be implemented over the period 2016-2018 to tackle the most important obstacles. The focus should be on the fulfilment of the targeted policy guidance that was adopted by the Economic and Financial Dialogue in May 2015. However, even in areas where no policy guidance has been given by the Dialogue, partners could choose to prioritise them, based on their own diagnostic, or guidance found in the progress report.

¹⁰ Table 7 in Annex could be referred to.

4.1. Identification of key obstacles to growth and competitiveness (diagnostic)

This section should give a short overview of the main structural obstacles to growth and competitiveness at national level. In effect it will be a summary of the obstacles identified below in section 4.2, but weighing the relative importance of different obstacles in different areas.

4.2. Structural reform priorities by area

This section should analyse each area in more detail. It should follow the outline described in the four points below, namely: i) a diagnostic; ii) a report on policy guidance implementation; iii) reform plans related to the policy guidance; and iv) other priority reforms.

As regards the 15-20 priority reforms, the definition of a 'reform measure' is broad and could include e.g. the formulation or adoption of a strategy, a new or amended piece of legislation and/or other binding instructions and specifications (such as curricula), specific investments foreseen in the policy area etc. However, the number of reform measures prioritised in the ERP should be limited to 15-20.

Where there is overlap of a specific reform across areas it should still be placed into only one area with a possible cross-reference in another. The 15-20 priority reforms do not have to cover all eight areas. However, even when there is no priority reform in one of the eight areas, a diagnostic should still be included, as well as an overview of ongoing reforms. The prioritisation of reforms and areas of reform is a national prerogative.

Appropriate emphasis shall be dedicated to the implementation of these measures, including the cost and the timetable for implementation. Countries are invited to provide concise information on the 15-20 reform measures by duly completing the matrices of policy commitments in line with Table 10 in the Annex. It is very important to identify and tentatively quantify the main budgetary effects and administrative capacity needs, if any.

Public Finance Management (PFM)

Public policies directly affecting the management of public finances (e.g. public procurement, internal financial control, external audit etc.) will be covered under this sub-section. These should be distinct from the measures already described and assessed in section 3 as regards reforms directly supporting the macro-fiscal framework, i.e. those that are linked to the structure and efficiency of revenue and expenditure systems, the sustainability of public finances and institutional features of the fiscal framework.

1. A general discussion on the current state of play of public finance management with a clear identification of key obstacles to PFM and their effects on competitiveness.
2. If relevant for this area, a report of what has been done to fulfil the country specific policy guidance related to PFM since May 2015 and an assessment of the impact of those reforms.
3. If relevant for this area, a detailed plan on what reforms are planned in order to fully fulfil the outstanding policy guidance and their expected impact on competitiveness.
4. Other priority reforms that do not directly relate to any policy guidance from May 2015, but that would help remove some obstacle(s) related to PFM identified in the diagnostic in point 1. Reference should be made to the status of the preparation and implementation of the PFM reform programme.

Infrastructure

Public policies directly affecting the infrastructure (e.g. investments in, and upgrades and maintenance of, rail/road/air/maritime transport; energy infrastructure and efficiency etc.) will be covered under this sub-section.

1. A general discussion on the current state of play of the infrastructure with a clear identification of key obstacles to competitiveness.
2. If relevant for this area, a report of what has been done to fulfil the country specific policy guidance related to infrastructure since May 2015 and an assessment of the impact of those reforms.
3. If relevant for this area, a detailed plan on what reforms are planned in order to fully fulfil the outstanding policy guidance and their expected impact on competitiveness.
4. Other priority reforms that do not directly relate to any policy guidance from May 2015, but that would help remove some obstacle(s) related to infrastructure identified in the diagnostic in point 1.

Sector developments

Public policies directly affecting the competitiveness of each sector, as well as policies gradually moving output/employment from one sector to a more competitive one, will be covered under this sub-section.

Agricultural sector development

E.g. Land cadastre, land consolidation, quality and safety standards, packaging, support schemes etc.

1. A general discussion on the current state of play of the agricultural sector with a clear identification of key obstacles to competitiveness.
2. If relevant for this area, a report of what has been done to fulfil the country specific policy guidance related to the agricultural sector since May 2015 and an assessment of the impact of those reforms.
3. If relevant for this area, a detailed plan on what reforms are planned in order to fully fulfil the outstanding policy guidance and their expected impact on competitiveness.
4. Other priority reforms that do not directly relate to any policy guidance from May 2015, but that would help remove some obstacle(s) related to the agricultural sector identified in the diagnostic in point 1.

Industry sector development

E.g. Clusters, Customs zones, mining, automotive, agri-food production etc.

1. A general discussion on the current state of play of industry with a clear identification of key obstacles to competitiveness.
2. If relevant for this area, a report of what has been done to fulfil the country specific policy guidance related to the industry sector since May 2015 and an assessment of the impact of those reforms.
3. If relevant for this area, a detailed plan on what reforms are planned in order to fully fulfil the outstanding policy guidance and their expected impact on competitiveness.
4. Other priority reforms that do not directly relate to any policy guidance from May 2015, but that would help remove some obstacle(s) related to the industry sector identified in the diagnostic in point 1.

Services sector development

E.g. Tourism, ICT, business services, financial services, insurance, construction, medical services, gambling etc.

1. A general discussion on the current state of play of the services sector with a clear identification of key obstacles to competitiveness.
2. If relevant for this area, a report of what has been done to fulfil the country specific policy guidance related to the services sector since May 2015 and an assessment of the impact of those reforms.
3. If relevant for this area, a detailed plan on what reforms are planned in order to fully fulfil the outstanding policy guidance and their expected impact on competitiveness.
4. Other priority reforms that do not directly relate to any policy guidance from May 2015, but that would help remove some obstacle(s) related to the services sector identified in the diagnostic in point 1.

Business environment, corporate governance and reduction of the informal economy

Public policies directly affecting the business environment (e.g. regulatory and administrative reforms, reduction of costs of doing business including para-fiscal charges, improvement in property rights, contract enforcement, access to finance, support to SMEs etc.), subsidy and state aid policies, privatisation, SOE restructuring and corruption will be covered under this sub-section. Public policies reducing the informal economy should also be covered here.

1. A general discussion on the current state of play of technology, research and innovation with a clear identification of key obstacles to competitiveness.
2. If relevant for this area, a report of what has been done to fulfil the country specific policy guidance related to technology, research and innovation since May 2015 and an assessment of the impact of those reforms.
3. If relevant for this area, a detailed plan on what reforms are planned in order to fully fulfil the outstanding policy guidance and their expected impact on competitiveness.
4. Other priority reforms that do not directly relate to any policy guidance from May 2015, but that would help remove some obstacle(s) related to technology, research and innovation identified in the diagnostic in point 1.

Technological absorption and innovation

Public policies directly affecting the capacity of the economy/businesses to absorb technology and to innovate (e.g. SMART specialisation and inter-linkages between research institutions and businesses, innovation-specific support to SMEs etc.) will be covered under this sub-section.

1. A general discussion on the current state of play of technology, research and innovation with a clear identification of key obstacles to competitiveness.
2. If relevant for this area, a report of what has been done to fulfil the country specific policy guidance related to technology, research and innovation since May 2015 and an assessment of the impact of those reforms.
3. If relevant for this area, a detailed plan on what reforms are planned in order to fully fulfil the outstanding policy guidance and their expected impact on competitiveness.
4. Other priority reforms that do not directly relate to any policy guidance from May 2015, but that would help remove some obstacle(s) related to technology, research and innovation identified in the diagnostic in point 1.

Trade integration

Public policies directly affecting the capacity to trade with the rest of the world, including the EU, (e.g. customs procedures, quality and safety standards etc.) will be covered under this sub-section.

1. A general discussion on the current state of play of trade integration with a clear identification of key obstacles to exports and FDI inflows.
2. If relevant for this area, a report of what has been done to fulfil the country specific policy guidance related to trade integration since May 2015 and an assessment of the impact of those reforms.
3. If relevant for this area, a detailed plan on what reforms are planned in order to fully fulfil the outstanding policy guidance and their expected impact on competitiveness.
4. Other priority reforms that do not directly relate to any policy guidance from May 2015, but that would help remove some obstacle(s) related to trade integration identified in the diagnostic in point 1.

Employment and labour markets

Public policies promoting quality employment by boosting demand for labour, promoting productivity and employability through an appropriate supply of relevant knowledge, skills and competences, in particular through increasing educational attainment and developing Vocational Education and Training (VET) including promoting work-based learning systems, enhancing the functioning of the labour markets with effective social dialogue, public employment services and labour inspection and tackling high unemployment and inactivity, in particular of young people, will be covered in this sub-section.

1. A general discussion on the current state of play of employment and education with a clear identification of key obstacles.
2. If relevant for this area, a report of what has been done to fulfil the country specific policy guidance related to employment and education since May 2015 and an assessment of the impact of those reforms.
3. If relevant for this area, a detailed plan on which further reforms are planned in order to fully fulfil the outstanding policy guidance and their expected impact.
4. Other priority reforms that do not directly relate to any policy guidance from May 2015, but that would help remove some obstacle(s) related to employment and education identified in the diagnostic in point 1.

Fostering social inclusion, combatting poverty and promoting equal opportunities

This section will cover public policies modernising social protection systems to provide effective, efficient, and adequate protection throughout all stages of an individual's life, fostering social inclusion, promoting equal opportunities including for women and men, and addressing inequalities. This includes social protection systems promoting social inclusion by encouraging people to actively participate in the labour market and society, and covers sustainability and adequacy of pension systems and access to quality services such as childcare, education, training, housing, health services and long-term care.

1. A general discussion on the current state of play of social inclusion and social protection with a clear identification of key obstacles.
2. If relevant for this area, a report of what has been done to fulfil the country specific policy guidance related to social inclusion and social protection since May 2015 and an assessment of the impact of those reforms.
3. If relevant for this area, a detailed plan on which further reforms are planned in order to fully fulfil the outstanding policy guidance and their expected impact.

4. Other priority reforms that do not directly relate to any policy guidance from May 2015, but that would help remove some obstacle(s) related to social inclusion and social protection identified in the diagnostic in point 1.

4.3. Summary of reform priorities

This section should include a summary of the 15-20 priority reforms identified above in order to give an overview.

5. BUDGETARY IMPLICATIONS OF STRUCTURAL REFORMS

Being one of the central elements of the programme, the document will provide quantitative information on the budgetary impact of the structural reforms set out above, both on the expenditure and the revenue side. Table 10 in the Annex should be used to present the necessary data.

6. INSTITUTIONAL ISSUES AND STAKEHOLDER INVOLVEMENT (MAX 1 PAGE)

Involvement and participation of all actors is essential to ensure ownership and facilitate progress on the implementation of country specific policy guidance, objectives and targets. This section should thus explain the institutional process for the preparation and approval of the Economic Reform Programme as well as the consultation of national actors (national parliament, regional and local authorities, social partners and civil society).

Partners should notably report on:

- Which Government Ministries and Agencies were involved in the process and how the coordinator arbitrated the different interests of these bodies.
- Whether the programme was presented to the national Parliament and whether or not it was approved by the national Parliament.
- How social partners and civil society have been consulted in the preparation of the programme and the extent to which their comments have been taken on board.
- How regional and local authorities (as relevant, depending on the division of competencies in the individual country) were involved in the preparation of the programme and in the implementation of the past guidance and commitments.

In addition to explanations given in this section, partner countries are asked to include information on the consultation process of external stakeholders, including any written contributions as an appendix.

7. SUMMARY DATA

To improve the comparability of different submissions, support the analysis of the macroeconomic framework and help candidate and potential candidate countries getting acquainted with the data requirement for stability and convergence programmes, the ERP will include, as much as possible, the standardised Annex tables. If the programme could benefit from additional, non-standardised, tables, these should, of course, be added.

In all cases, the status of the quantitative information should be clearly established. To the extent currently possible, the concepts used should be in line with the standards established at the EU level, notably in the context of the European system of accounts.

ANNEX 1: TABLES TO BE CONTAINED IN THE ECONOMIC REFORM PROGRAMMES AND THEIR UPDATES¹¹

Table 1a: Macroeconomic prospects

	ESA Code	Year X - 2	Year X - 2	Year X-1	Year X	Year X + 1	Year X + 2
		Level (€)	Rate of change				
1. Real GDP at market prices	B1*g						
2. GDP at market prices	B1*g						
Components of real GDP							
3. Private consumption expenditure	P3						
4. Government consumption expenditure	P3						
5. Gross fixed capital formation	P51						
6. Changes in inventories and net acquisition of valuables (% of GDP)	P52+ P53						
7. Exports of goods and services	P6						
8. Imports of goods and services	P7						
Contribution to real GDP growth							
9. Final domestic demand							
10. Change in inventories and net acquisition of valuables	P52+ P53						
11. External balance of goods/services	B11						

¹¹ Please replace in the tables the placeholders (Year X+/-n) indicating the programme period with the concrete years, with the year X being the year of the submission deadline.

Table 1b: Price developments

		Year X-2	Year X-1	Year X	Year X + 1	Year X + 2
1. GDP deflator	%, yoy					
2. Private consumption deflator	%, yoy					
3. HICP	%, yoy					
4. National CPI change	%, yoy					
5. Public consumption deflator	%, yoy					
6. Investment deflator	%, yoy					
7. Export price deflator (goods & services)	%, yoy					
8. Import price deflator (goods & services)	%, yoy					

Table 1c: Labour markets developments

	ESA Code	Year X - 2	Year X - 2	Year X-1	Year X	Year X + 1	Year X + 2
		Level	Rate of change				
1. Population (thousands)							
2. Population (growth rate in %)							
3. Working-age population (persons) ¹²							
4. Participation rate							
5. Employment, persons ¹³							
6. Employment, hours worked ¹⁴							
7. Employment (growth rate in %)							

¹² Age group of 15-64 years

¹³ Occupied population, domestic concept national accounts definition

¹⁴ National accounts definition

8. Public sector employment (persons)							
9. Public sector employment (growth in %)							
10. Unemployment rate ¹⁵							
11. Labour productivity, persons ¹⁶							
12. Labour productivity, hours worked ¹⁷							
13. Compensation of employees	D1						

¹⁵ Harmonised definition, Eurostat; levels

¹⁶ Real GDP per person employed

¹⁷ Real GDP per hour worked

Table 1d: Sectoral balances

% of GDP	ESA code	Year X - 2	Year X - 1	Year X	Year X + 1	Year X + 2
1. Net lending/borrowing vis-à-vis the rest of the world	B.9				optional	optional
of which:						
- Balance of goods and services						
- Balance of primary incomes & transfers						
- Capital account						
2. Net lending/borrowing of the private sector	B.9/ EDP B.9					
3. Net lending/borrowing of general government						
4. Statistical discrepancy			optional	optional	optional	optional

Table 1e: GDP, investment and gross value added

	ESA Code	Year X - 2	Year X - 1	Year X	Year X + 1	Year X + 2
GDP and investment						
GDP <i>level</i> at current market prices (in domestic currency)	B1g					
Investment ratio (% of GDP)						
Growth of Gross Value Added, percentage changes at constant prices						
1. Agriculture						
2. Industry (excluding construction)						
3. Construction						
4. Services						

Table 1f: External sector developments

Euro mill. unless otherwise indicated	Year X - 2	Year X - 1	Year X	Year X + 1	Year X + 2
1. Current account balance (% of GDP)					
2. Export of goods					
3. Import of goods					
4. Trade balance					
5. Export of services					
6. Import of services					
7. Service balance					
8. Net interest payments from abroad					
9. Other net factor income from abroad					
10. Current transfers					
11. <i>Of which</i> from EU					
12. Current account balance					
13. Foreign direct investment					
14. Foreign reserves					
15. Foreign debt					
16. <i>Of which</i> : public					
17. <i>O/w</i> : foreign currency denominated					
18. <i>O/w</i> : repayments due					
19. Exchange rate vis-à-vis EUR (end-year)					
20. Exchange rate vis-à-vis EUR (annual average)					
21. Net foreign saving (lines 21-25: percentages of GDP)					
22. Domestic private saving					

23. Domestic private investment					
24. Domestic public saving					
25. Domestic public investment					

Table 1g: Sustainability indicators

	Dimension	Year X - 5	Year X - 4	Year X - 3	Year X - 2	Year X - 1
1. Current Account Balance	% of GDP					
2. Net International Investment Position	% of GDP					
3. Export market shares	%, yoy					
4. Real Effective Exchange Rate ¹⁸	%, yoy					
5. Nominal Unit Labour Costs	%, yoy					
6. Private sector credit flow	% of GDP					
7. Private sector debt	% of GDP					
8. General Government Debt	% of GDP					

¹⁸

Please explain the methodology used (deflators, trade weighing, etc)

Table 2a: General government budgetary prospects

	ESA code	Year X - 2	Year X - 2	Year X - 1	Year X	Year X + 1	Year X + 2
		Level	% of GDP				
Net lending (B9) by sub-sectors							
1. General government	S13						
2. Central government	S1311						
3. State government	S1312						
4. Local government	S1313						
5. Social security funds	S1314						
General government (S13)							
6. Total revenue	TR						
7. Total expenditure ¹⁹	TE						
8. Net borrowing/lending	EDP.B9						
9. Interest expenditure	EDP.D4 1						
10. Primary balance ²⁰							
11. One-off and other temporary measures ²¹							
Components of revenues							
12. Total taxes (12 = 12a+12b+12c)							
12a. Taxes on production and imports	D2						
12b. Current taxes on income and wealth	D5						
12c. Capital taxes	D91						
13. Social contributions	D61						
14. Property income	D4						
15. Other (15 = 16-(12+13+14)) ²²							

¹⁹ Adjusted for the next flow of swap-related flows, so the TR-TE = EDP.B9.

²⁰ The primary balance is calculated as (EDP.B9, item 8) plus (EDP D41 + FISIM recorded as intermediate consumption, item 9).

²¹ A plus sign means deficit-reducing one-off measures

²² P.11+P.12+P.131+D.39+D.7+D.9 (other than D.91).

16 = 6. Total revenue	TR						
p.m.: Tax burden (D2+D5+D61+D91-D995) ²³							

²³ Including those collected by the EU and including an adjustment for uncollected taxes and social contributions (D995), if appropriate.

Table 2a (continued)

	ESA code	Year X - 2	Year X - 2	Year X - 1	Year X	Year X + 1	Year X + 2
		Level	% of GDP				
Selected components of expenditures							
17. Collective consumption	P32						
18. Total social transfers	D62 + D63						
18a. Social transfers in kind	P31 = D63						
18b. Social transfers other than in kind	D62						
19 = 9. Interest expenditure	EDP.D4 1						
20. Subsidies	D3						
21. Gross fixed capital formation	P51						
22. Other (22 = 23- (17+18+19+20+21) ²⁴							
23 = 7. Total expenditures	TE ²⁵						
p.m. Compensation of public sector employees	D1						

²⁴ D.29+D4 (other than D.41)+ D.5+D.7+D.9+P.52+P.53+K.2+D.8

²⁵ Adjusted for the next flow of swap-related flows, so the TR-TE = EDP.B9.

Table 2b: General government budgetary prospects

	ESA code	Year X - 2	Year X - 2	Year X - 1	Year X	Year X + 1	Year X + 2
		Level	Bn NCU				
Net lending (B9) by sub-sectors							
1. General government	S13						
2. Central government	S1311						
3. State government	S1312						
4. Local government	S1313						
5. Social security funds	S1314						
General government (S13)							
6. Total revenue	TR						
7. Total expenditure ²⁶	TE						
8. Net borrowing/lending	EDP.B9						
9. Interest expenditure	EDP.D4 1						
10. Primary balance ²⁷							
11. One-off and other temporary measures ²⁸							
Components of revenues							
12. Total taxes (12 = 12a+12b+12c)							
12a. Taxes on production and imports	D2						
12b. Current taxes on income and wealth	D5						
12c. Capital taxes	D91						
13. Social contributions	D61						
14. Property income	D4						
15. Other (15 = 16-(12+13+14)) ²⁹							

²⁶ Adjusted for the next flow of swap-related flows, so the TR-TE = EDP.B9.

²⁷ The primary balance is calculated as (EDP.B9, item 8) plus (EDP D41 + FISIM recorded as intermediate consumption, item 9).

²⁸ A plus sign means deficit-reducing one-off measures

16 = 6. Total revenue	TR						
p.m.: Tax burden (D2+D5+D61+D91-D995) ³⁰							

²⁹ P.11+P.12+P.131+D.39+D.7+D.9 (other than D.91).

³⁰ Including those collected by the EU and including an adjustment for uncollected taxes and social contributions (D995), if appropriate.

Table 2b (continued)

	ESA code	Year X - 2	Year X - 2	Year X - 1	Year X	Year X + 1	Year X + 2
		Level	Bn NCU				
Selected components of expenditures							
17. Collective consumption	P32						
18. Total social transfers	D62 + D63						
18a. Social transfers in kind	P31 = D63						
18b. Social transfers other than in kind	D62						
19 = 9. Interest expenditure	EDP.D4 1						
20. Subsidies	D3						
21. Gross fixed capital formation	P51						
22. Other (22 = 23- (17+18+19+20+21) ³¹							
23 = 7. Total expenditures	TE ³²						
p.m. Compensation of public sector employees	D1						

Table 3: General government expenditure by function

Percentage of GDP	COFOG Code	Year X - 2	Year X - 1	Year X	Year X + 1	Year X + 2
1. General public services	1					
2. Defence	2					
3. Public order and safety	3					
4. Economic affairs	4					
5. Environmental protection	5					
6. Housing and community	6					
7. Health	7					
8. Recreation, culture and	8					
9. Education	9					

³¹ D.29+D4 (other than D.41)+ D.5+D.7+D.9+P.52+P.53+K.2+D.8

³² Adjusted for the next flow of swap-related flows, so the TR-TE = EDP.B9.

10. Social protection	10					
11. Total expenditure (item 7 = 23 in Table 2)	TE					

Table 4: General government debt developments

Percentages of GDP	ESA code	Year X - 2	Year X - 1	Year X	Year X + 1	Year X + 2
1. Gross debt ³³						
2. Change in gross debt ratio						
Contributions to change in gross debt						
3. Primary balance ³⁴						
4. Interest expenditure ³⁵						
5. Stock-flow adjustment						
of which:						
- Differences between cash and accruals ³⁶						
- Net accumulation of financial assets ³⁷						
of which:						
- Privatisation proceeds						
- Valuation effects and other ³⁸						
p.m. implicit interest rate on debt ³⁹						
Other relevant variables						
6. Liquid financial assets ⁴⁰						
7. Net financial debt (7 = 1 - 6)						

³³ As defined in Regulation 3605/93 (not an ESA concept).

³⁴ Cf. item 10 in Table 2.

³⁵ Cf. item 9 in Table 2.

³⁶ The differences concerning interest expenditure, other expenditure and revenue could be distinguished when relevant.

³⁷ Liquid assets, assets on third countries, government controlled enterprises and the difference between quoted and non-quoted assets could be distinguished when relevant.

³⁸ Changes due to exchange rate movement, and operation in secondary market could be distinguished when relevant.

³⁹ Proxied by interest expenditure divided by the debt level of the previous year.

⁴⁰ AF1, AF2, AF3 (consolidated at market value, AF5 (if quoted in stock exchange; including mutual fund shares).

Table 5: Cyclical developments

% of GDP	ESA Code	Year X - 2	Year X - 1	Year X	Year X + 1	Year X + 2
1. Real GDP growth (%)	B1g					
2. Net lending of general government	EDP.B .9					
3. Interest expenditure	EDP.D .41					
4. One-off and other temporary measures ⁴¹						
5. Potential GDP growth (%) ⁴²						
Contributions:						
- labour						
- capital						
- total factor productivity						
6. Output gap						
7. Cyclical budgetary component						
8. Cyclically-adjusted balance (2-7)						
9. Cyclically-adjusted primary balance (8-3)						
10. Structural balance (8-4)						

Table 6: Divergence from previous programme

	Year X - 2	Year X - 1	Year X	Year X + 1	Year X + 2
1. GDP growth (% points)					
Previous					
Current					
Difference					
2. General government net lending (% of GDP)					
Previous					
Current					
Difference					
3. General government gross debt (% of GDP)					

⁴¹ A plus sign means deficit-reducing one-off measures

⁴² Until an agreement on the Production Function Method is reached, countries can use their own figures (SP).

Previous					
Current					
Difference					

Table 7: Long-term sustainability of public finances

Percentages of GDP	2007	2010	2020	2030	2040	2050	2060
Total expenditure							
<i>of which: age-related expenditures</i>							
- Pension expenditure							
- Social security pension							
- Old-age and early pensions							
- Other pensions (disability, survivors)							
- Occupational pensions (if in general government)							
- Health care							
- Long-term care (<i>this was earlier included in the health care</i>)							
Education expenditure							
Other age-related expenditures							
Interest expenditure							
Total revenues							
<i>of which: property income</i>							
<i>of which: from pensions contributions (or social contributions, if appropriate)</i>							
Pension reserve fund assets							
<i>of which: consolidated public pension fund assets (assets other than government liabilities)</i>							
Assumptions							
Labour productivity growth							
Real GDP growth							
Participation rate males (aged 20-64)							
Participation rates females (aged 20-64)							
Total participation rates (20-64)							
Unemployment rate							
Population aged 65+ over total population							

Table 7a: Contingent liabilities

% of GDP	Year X - 1	Year X
Public guarantees		Optio
<i>Of which: linked to the financial</i>		Ontio

**Table 8: Basic assumptions on the external economic environment
underlying the programme framework**

This table should preferably be included in the programme itself; if not, these assumptions should be transmitted to the Commission together with the programme.

	Dimension	Year X - 2	Year X - 1	Year X	Year X + 1	Year X + 2
Short-term interest rate ⁴³	Annual average					
Long-term interest rate	Annual average					
USD/EUR exchange	Annual average					
Nominal effective exchange rate	Annual average					
Exchange rate vis-à-vis the EUR	Annual average					
Global GDP growth, excluding EU	Annual average					
EU GDP growth	Annual average					
Growth of relevant foreign markets	Annual average					
World import volumes, excluding EU	Annual average					
Oil prices (Brent, USD/barrel)	Annual average					

⁴³ If necessary, purely technical assumption.

Table 9: Selected indicators on social inclusion

Table 10: Matrix of policy commitments⁴⁴

Description of policy	Year X - 1	Year X	Year X + 1	Year X + 2
1. Policy measure (...)				
A. Duration of the reform*				
B. Net direct budgetary impact (if any) (in €)				
B.1 Direct impact on budgetary revenue (in €)				
B.2 Direct impact on budgetary expenditure (in €)				
B.3 Possible non-budgetary financing (in €)				
- B.3.1 Of which committed IPA funding including WBIF funding (in €)				
2. Policy measure (...)				
A. Duration of the reform*				
B. (...) (in €)				
(...) (in €)				
Total net budgetary impact				
Total impact on budgetary revenue				
Total impact on budgetary expenditure				

* indicate start and, if needed, end with an “X” mark

⁴⁴ Please use table 1 to fill in the direct budgetary impact of each measure contained in part II of the ERP in €.

Table 11: TIMETABLE OF STRUCTURAL REFORM MEASURES (Fill in one per reform)

Q1 2016	Q2 2016	Q3 2016	Q4 2016
Q1 2017	Q2 2017	Q3 2017	Q4 2017
Q1 2018	Q2 2018	Q3 2018	Q4 2018

Table 12: SUMMARY OF STRUCTURAL REFORM MEASURES (Fill in one per reform)

	Name and number of reform measure
Short description	
Summary of implementation timeline	
Cost of implementation	
Expected impact on competitiveness	

ANNEX 2: External contributions to the ERP 2016-2018

This appendix should include information on the consultation process of external stakeholders, including the national parliament, local and regional government, social partners and civil society. Each external stakeholder should be encouraged to provide input on structural reform priorities and fulfilment of SEE 2020 national targets before the ERP is drafted and to provide comments to an early draft of the ERP. All contributions should be included in this appendix of the ERP. For inspiration see Sweden's appendix from 2015:

http://ec.europa.eu/europe2020/pdf/csr2015/nrp2015_sweden_annex1_en.pdf