



**COUNCIL OF  
THE EUROPEAN UNION**

**Brussels, 16 June 2014**

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**NOTE**

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from:	The General Secretariat
to:	Permanent Representatives Committee/Council
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Subject:	Recommendation for a COUNCIL RECOMMENDATION on Denmark's 2014 national reform programme and delivering a Council opinion on Denmark's 2014 convergence programme

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Delegations will find attached the above mentioned draft Council Recommendation, as revised and agreed by various Council committees, based on the Commission proposal COM(2014) 405 final.

## **COUNCIL RECOMMENDATION**

**of**

**on the National Reform Programme 2014 of Denmark  
and delivering a Council opinion on the Convergence Programme of Denmark, 2014**

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 policies<sup>1</sup>, and in particular Article 9(2) thereof,

Having regard to Regulation (EU) No 1176/2011 of the European Parliament and of the Council of 16 November 2011 on the prevention and correction of macroeconomic imbalances<sup>2</sup>, and in particular Article 6(1) thereof,

Having regard to the recommendation of the European Commission,

Having regard to the resolutions of the European Parliament,

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<sup>1</sup> OJ L 209, 2.8.1997, p. 1.

<sup>2</sup> OJ L 306, 23.11.2011, p. 25.

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, which 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<sup>3</sup>, which together form the 'integrated guidelines'. Member States were invited to take the integrated guidelines into account in their national economic and employment policies.
- (3) On 29 June 2012, the Member States' Heads of State or Government decided on a Compact for Growth and Jobs, providing a coherent framework for action at national, EU and euro area levels using all possible levers, instruments and policies. They decided on action to be taken at the level of the Member States, in particular expressing full commitment to achieving the objectives of the Europe 2020 strategy and to implementing the country-specific recommendations.

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<sup>3</sup> Maintained for 2014 by Council Decision 2014/322/EU of 6 May 2014 on guidelines for the employment policies of the Member States for 2014 (OJ L 165, 4.6.2014, p. 49).

- (4) On 9 July 2013, the Council adopted a Recommendation<sup>4</sup> on Denmark's National Reform Programme for 2013 and delivered its opinion on Denmark's updated Convergence Programme for 2013-2016.
- (5) On 13 November 2013, the Commission adopted the Annual Growth Survey, marking the start of the 2014 European Semester for economic policy coordination. Also, on 13 November 2013, the Commission, on the basis of Regulation (EU) No 1176/2011, adopted the Alert Mechanism Report, in which it identified Denmark as one of the Member States for which an in-depth review would be carried out.
- (6) On 20 December 2013, the European Council endorsed the priorities for ensuring financial stability, fiscal consolidation and action to foster growth. It underscored the need to pursue differentiated, growth-friendly fiscal consolidation, to restore normal lending conditions to the economy, to promote growth and competitiveness, to tackle unemployment and the social consequences of the crisis, and to modernise public administration.

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<sup>4</sup> OJ C 217, 30.7.2013, p. 18.

- (7) On 5 March 2014, the Commission published the results of its in-depth review for Denmark, under Article 5 of Regulation (EU) No 1176/2011. The Commission's analysis leads it to conclude that Denmark's macroeconomic challenges related to private debt and external competitiveness were no longer identified as imbalances in the sense of the Macroeconomic Imbalance Procedure. In particular, the adjustment on the housing market and the implications of high private-sector debt for the real economy and the stability of the financial sector seem contained. However, these developments, as well as drivers of external competitiveness, deserve continued monitoring.
- (8) On 15 April 2014, Denmark submitted its 2014 National Reform Programme and its 2014 Convergence Programme. In order to take account of their interlinkages, the two programmes have been assessed at the same time.

- (9) The objective of the budgetary strategy outlined in the 2014 Convergence Programme is to ensure the sustainability of the correction of the excessive deficit and to maintain the structural budget balance at or above the medium-term objective. The medium-term objective, at -0,5 % of GDP, reflects the requirements of the Stability and Growth Pact. Denmark's general government deficit has been sustainably brought below 3 % of GDP in 2013. The Convergence Programme targets a general government headline deficit of 1,3 % of GDP in 2014 and 2,9 % in 2015, which is consistent with a (recalculated) structural balance at or above the medium-term objective. Overall, the budgetary strategy outlined in the Convergence Programme is in line with the requirements of the Stability and Growth Pact. The debt level, at 44,5 % of GDP in 2013, is planned to temporarily increase in 2015 and to decline thereafter. The macroeconomic scenario underpinning the budgetary projections in the Convergence Programme is plausible. The scenario projects GDP growth at 1,6 % in 2014 and 1,9 % in 2015 and is broadly in line with the Commission services 2014 spring forecast of 1,5 % and 1,9 %. Based on the assessment of the 2014 Convergence Programme and the Commission forecast, pursuant to Regulation (EC) No 1466/97, the Council is of the opinion that Denmark's public finances are sound and the Convergence Programme's objective can be expected to be achieved.

- (10) Denmark has made some progress in addressing the situation of groups at the margins of the labour market as well as advancing the cost-effectiveness of the education system. The reform of disability pensions and flex-jobs has begun to show results, the cash benefit reform has entered into force, a sickness benefit reform has been agreed and, in April, the Government launched a reform proposal for active labour market policies. Challenges remain so as to ensure a sufficient number of apprenticeships and enhance the quality and image of this type of learning, upgrade vocational education and training systems and address high rates of school drop-out. Due to the early stage of implementation of the reforms, the full effect remains yet to be seen. Regarding vocational education and training, a reform agreement was reached in February 2014 and is expected to come into force in mid-2015, with a view to improving the quality of vocational education and training through a wide range of initiatives.
- (11) Reinvigorating productivity remains a challenge for the Danish economy. The Commission's assessment is broadly in line with the Productivity Commission's findings. In April 2014, the Productivity Commission published 25 main recommendations and more than 100 concrete proposals within areas such as competition, public procurement, education, internationalisation, innovation, taxation and infrastructure. Steps towards tackling the challenge of low productivity growth should be taken through the implementation of the Productivity Commission's recommendations.



- (12) In the context of the European Semester, the Commission has carried out a comprehensive analysis of Denmark's economic policy. It has assessed the National Reform Programme and the Convergence Programme. It has taken into account not only their relevance for sustainable fiscal and socio-economic policy in Denmark but also their compliance with EU rules and guidance, given the need to reinforce the overall economic governance of the Union by providing EU-level input into future national decisions. Its recommendations under the European Semester are reflected in recommendations (1) to (3) below.
- (13) In the light of this assessment, the Council has examined the Convergence Programme, and its opinion<sup>5</sup> is reflected in particular in recommendation (1) below,

HEREBY RECOMMENDS that Denmark take action within the period 2014-2015 to:

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<sup>5</sup> Under Article 9(2) of Regulation (EC) No 1466/97.

- (1) Following the correction of the excessive deficit, continue to pursue a growth-friendly fiscal policy and preserve a sound fiscal position, ensuring that the medium-term budgetary objective continues to be adhered to throughout the period covered by the Convergence Programme.
- (2) Take further measures to improve the employability of people at the margins of the labour market. Improve educational outcomes, in particular for young people with a migrant background, and the effectiveness of vocational training. Facilitate the transition from education to the labour market, including through a wider use of work-based training and apprenticeships.
- (3) Increase efforts to remove barriers to entry and reduce regulatory burden with a view to increasing competition in the domestic services sector, in particular in retail and construction, as recommended by the Productivity Commission.

Done at Brussels,

*For the Council*  
*The President*

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