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From:	Secretary-General of the European Commission, signed by Mr Jordi AYET PUIGARNAU, Director
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To:	Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union
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Subject:	Recommendation for a COUNCIL RECOMMENDATION on the 2017 National Reform Programme of Denmark and delivering a Council opinion on the 2017 Convergence Programme of Denmark

Delegations will find attached document COM(2017) 504 final.

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Brussels, 22.5.2017
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Recommendation for a

COUNCIL RECOMMENDATION

on the 2017 National Reform Programme of Denmark

and delivering a Council opinion on the 2017 Convergence Programme of Denmark

Recommendation for a

COUNCIL RECOMMENDATION

on the 2017 National Reform 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 policies[1], and in particular Article 9(2) thereof,

Having regard to the recommendation of the European Commission[2],

Having regard to the resolutions of the European Parliament[3],

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 16 November 2016, the Commission adopted the Annual Growth Survey[4], marking the start of the 2017 European Semester of economic policy coordination. The priorities of the Annual Growth Survey were endorsed by the European Council on 9-10 March 2017. On 16 November 2016, on the basis of Regulation (EU)

1 OJ L 209, 2.8.1997, p. 1.
2 COM(2017) 504 final.
3 P8_TA(2017)0038, P8_TA(2017)0039, and P8_TA(2017)0040.
4 COM(2016) 725 final.

No 1176/2011, the Commission adopted the Alert Mechanism Report[5], in which it did not identify Denmark as one of the Member States for which an in-depth review would be carried out.

(2) The 2017 country report for Denmark[6] was published on 22 February 2017. It assessed Denmark's progress in addressing the country-specific recommendations adopted by the Council on 12 July 2016, the follow-up given to the recommendations adopted in previous years and Denmark's progress towards its national Europe 2020 targets.

(3) On 28 April 2017, Denmark submitted its 2017 National Reform Programme and its 2017 Convergence Programme. To take account of their interlinkages, the two programmes have been assessed at the same time.

(4) The relevant country-specific recommendations have been taken into account in the Member States' programmes for the European Structural and Investment Funds (ESI Funds) covering the 2014-2020 period. As foreseen in the legislation governing the ESI Funds,[7] where it is necessary to support the implementation of relevant country-specific recommendations, the Commission may request a Member State to review and amend its relevant ESI Funds programmes. The Commission has provided further guidelines on the application of those rules.[8]

(5) Denmark is currently in the preventive arm of the Stability and Growth Pact. In its 2017 Convergence Programme, the government plans to achieve a headline deficit of 1.9% of GDP in 2017 and to continue to meet the medium-term budgetary objective — a structural deficit of 0.5% of GDP — throughout the programme period until 2020. According to the Convergence Programme, the general government debt-to-GDP ratio is expected to fall to 37.0% in 2017 and to continue declining to 33.9% in 2020. The macroeconomic scenario underpinning these budgetary projections is plausible over the programme period. Based on the Commission 2017 spring forecast, the structural balance is forecast to reach a deficit of 0.4% of GDP in 2017 and 0.1% of GDP in 2018, broadly in line with the target of the programme and above the medium-term budgetary objective. Overall, the Council is of the opinion that Denmark is projected to comply with the provisions of the Stability and Growth Pact in 2017 and 2018.

(6) Ensuring labour supply in times of demographic challenge is a precondition for sustainable growth in Denmark. A series of substantial labour market reforms in recent years aims particularly at increasing work incentives and improving the efficiency of active labour market policies. These reforms could contribute to achieving Denmark's Europe 2020 employment target, to the sustainability of the

5 COM(2016) 728 final.
6 SWD(2017) 70 final.
7 Article 23 of Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006, OJ L 347, 20.12.2013, p. 320.
8 COM(2014) 494 final.

Danish welfare model and to address the emerging shortage of certain qualifications. Reforms aiming to increase participation and completion rates in vocational education, and a tripartite agreement to create more apprenticeships, are likely to increase the supply of skilled workers. However, the national Europe 2020 target for social inclusion, aiming at reducing the number of people living in very low work intensity households, is far from being achieved. Labour market inclusion and improving the employability of disadvantaged groups remain a challenge. This particularly applies to people with a non-EU migrant background (including those who have resided longer in Denmark), partly due to their on average lower education performance compared to native-born. The gap persists into the second generation. The job-integration measures agreed in the 2016 tripartite negotiations could improve the situation for newly arrived refugees, whose situation will have to be closely monitored in the future. However, further measures should still be taken to include other marginalised groups, such as young people with low educational attainment and workers above the age of 60, into the labour market more effectively.

(7) High productivity growth is fundamental to support economic growth, maintain the relatively high level of welfare in Denmark, and ensure the long-term competitiveness of the country. Although Denmark's productivity level is high compared to other EU Member States, productivity growth has been on a downward trend for a prolonged period. Particularly domestically oriented services have been characterised by sluggish productivity developments. Denmark has implemented several reforms during the last years, but productivity growth stays low as competition in some services sectors remains weak. Sector-specific restrictions hamper competition, for instance in wholesale and transport services.

(8) 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 2017 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 EU's overall economic governance by providing EU-level input into future national decisions.

(9) In the light of this assessment, the Council has examined the Convergence Programme and is of the opinion that Denmark is expected to comply with the Stability and Growth Pact,

HEREBY RECOMMENDS that Denmark take action in 2017 and 2018 to:

1. Foster competition in the domestically oriented services sector.

Done at Brussels,

For the Council
The President