Country-specific recommendations 2026

The DeHavilland Guide

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/ Key takeaways

- On 10 July, ECOFIN approved this year's country-specific recommendations, as provided by the Commission at the beginning of June and amended by the European Council. These are intended to give tailored advice to Member States to boost competitiveness.
- In this briefing, we take a closer look at all 144 CSRs, to pull out 15 key themes covering key policy areas.
- Recommendations focused on the full deployment of the Recovery and Resilience Facility, urging Member States to increase fiscal spending on defence and make progress on cohesion policy.
- Our analysis shows that energy-related reforms were the top priority for all countries, focusing on renewable energy, sustainable transportation, and grid systems.
- At the same time, recommendations by the Council stressed the need to promote sustainable transportation, a more socially inclusive employment structure focused on active labour markets, and the growth of capital markets in different Member States.
- The country-specific recommendations provide an early indication of the reforms and legislative priorities Member States are expected to pursue over the next two years, and they show new key priorities noted by the Commission and the Council, especially regarding energy, defence, and housing.
- Beyond the analysis of the overall EU landscape, we provided a summary of key reforms for each country, identifying those expected to take place in the coming year.

/ Overview

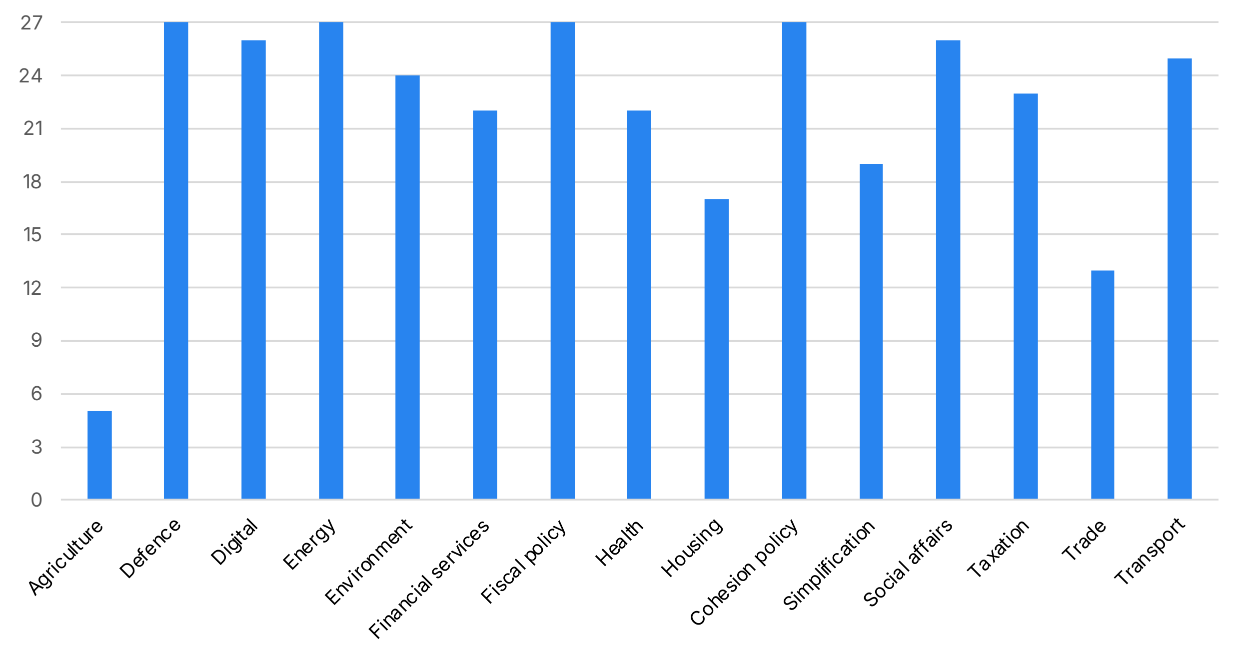
On 3 June, the European Commission adopted its European semester spring package. The package includes country-specific recommendations (CSRs) for 2026, providing tailored guidance for each Member State. On 10 July, the Economic and Financial Affairs Council approved the integrated CSRs for each Member State, which ultimately aim to strengthen the EU's competitiveness.

According to the Council's announcement, Member States are encouraged to advance key priorities in support of competitiveness, ensure swift implementation of cohesion policy funds, and continue with reforms and investments supported under the Recovery and Resilience facility.

In this briefing, we provide a comprehensive breakdown of the policy recommendations, with Member States having around five or six recommendations covering a broad range of categories.

Looking at Chart 1, **defence** is a recurring topic for all countries, with the Council endorsing the Commission's suggestion that Member States should increase their public spending on defence. At the same time, recommendations for all countries focus on **regional and cohesion policy**, aiming to make full use of the Recovery and Resilience Facility funding to improve regional support, while preserving a sustainable fiscal stance.

Chart 1: Categorisation of country-specific recommendations



Source: DeHavilland AI-assisted analysis of recommendations

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Only five countries – Belgium, Denmark, Ireland, France and the Netherlands – included recommendations on **sustainable agriculture**. **Trade**, which in our analysis is made up of CSRs relating to customs and border conditions, is mentioned in recommendations for 13 Member States, especially in Eastern Europe, and intersects with defence investments to protect regional development against potential Russian aggression.

Simplification remains a policy priority for the Commission through its dozen omnibus packages. Regulatory simplification was mentioned in the recommendations for 19 Member States, which examined regulatory frameworks and reduced administrative burdens while promoting a better-functioning administrative system. Nordic countries, Luxembourg, and the Baltics seem to have achieved a sufficient level of regulatory simplification and so had no recommendations in this category

Simplification goes hand-in-hand with the **digitalisation of the economy**, with all Member States, except Sweden, receiving recommendations to improve investment in Research and Development (R&D), enhance cyber security systems, and create funding opportunities for digital spending. **Financial services** could also play a critical role in providing funding, with CSRs stressing the need for most countries – except for Bulgaria, Poland, Romania, Slovakia and Sweden – to foster venture capital, private equity, and growth financing, and to increase the number of retail and institutional investors participating in capital markets.

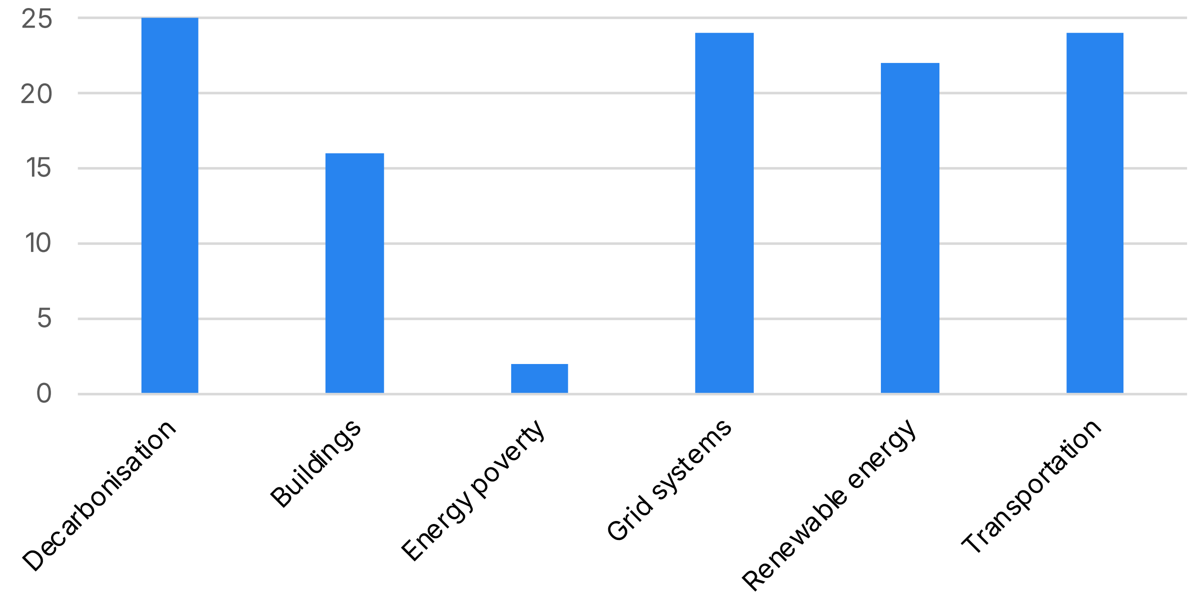
Recommendations on **social affairs**, focusing on labour and employment conditions, education, and inclusion and equality policies, were addressed to all Member States except Ireland, with CSRs stressing the need to strengthen the effectiveness and targeting of active labour market policies and to address issues of gender inequality and ageing.

Health-related reforms had a narrower scope than social affairs, focusing on recommendations to improve healthcare systems' resilience, health professionals' benefits and working conditions, and financing of the health sector. The Council adopted health-related recommendations for 22 Member States – except for Czechia, Denmark, Luxembourg, Malta, and Sweden – urging them to strengthen the effectiveness and accessibility of the health system, invest in e-health, and eliminate any regional disparities, while enhancing access to primary healthcare.

Finally, we can see **energy** was mentioned in recommendations to all Member States, which is no surprise, since the EU wants to promote energy independence and transition. In Chart 2, we break this category down further and can see most states have taken action against **energy poverty** since 2025 and last year's spring package, with only Bulgaria and Portugal being urged to address the issue going forward in 2026 and 2027.

The main focus of the energy CSRs is **decarbonisation** and the reduction of fossil-fuel dependency, especially in industry, with only Denmark and Slovenia lacking suggested reforms in this area. Recommendations to these Member States focused primarily on grid systems for Denmark and renewable energy for Slovenia.

Chart 2: Energy-related recommendations



Source: DeHavilland AI-assisted analysis of recommendations

At the same time, **energy efficiency of buildings** remained relevant for more than half of EU Member States. We cannot identify a positive correlation of CSRs focusing on increasing housing affordability and supply, and on reforms to energy efficiency in buildings. That implies the separation of policy priorities and shows that even though these two concepts might seem interconnected, Member States should prioritise different solutions. **Transportation** is also viewed as a primary method for achieving energy independence, with recommendations urging the use of more sustainable fuels in road transportation, promoting sustainable urban transport and rail, and removing fossil fuel subsidies.

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/ CSRs by Member State

Austria: Actions to improve fiscal position by improving the fiscal sustainability of healthcare and enhancing the tax mix in a fiscally neutral manner to reduce the high tax wedge (the difference between the total labour cost of employing a worker and their net earnings) on labour. Step up companies' use of advanced digital technologies, provide better access to venture capital, and reduce administrative burdens for SMEs. Implement the Electricity Act and accelerate the rollout of renewable energy, while creating incentives to boost overall hours worked and women's full-time labour market participation.

Belgium: Recommendations suggest ensuring measures to address the impact of the energy price hike are temporary and targeted. Remove regulatory barriers to services and increase innovation by offering targeted public R&D support and facilitating access to finance for scale-ups. Belgium is also asked to increase the use and supply of sustainable transport and to phase out fossil fuel subsidies, particularly in the transport and heating sectors. The performance and equity of the education and training systems need improvement.

Bulgaria: Reforms should minimise the shadow economy and strengthen tax collection, supporting tax compliance and broadening the revenue base. Bulgaria should simplify public administration at the local level, streamline workflows and services, and improve public procurement procedures. The country should roll out wind power generation and enhance climate and water resilience, as well as waste management. A more effective minimum income support is also essential.

Croatia: On the fiscal side, Croatia should strengthen the role of regular spending reviews and complete the reform of recurrent property taxation. Recommendations stress the need to deepen capital markets by facilitating retail and institutional investors. Simplification in the country should begin with merging local-level public administration functions. Croatia should advance the roll-out of smart meters and promote dynamic contracts, while creating incentives for climate risk insurance. Actions are needed to increase the adequacy of social benefits to reduce poverty.

Cyprus: Measures should preserve incentives for energy savings, and ensure that their fiscal cost is compatible with the EU framework. Cyprus should adopt a long-term research and innovation strategy with indicators and multiannual funding. On the financial side, it should strengthen the supplementary pension system and increase financial literacy. To improve water and waste management, Cyprus should improve the institutional framework and increase the administrative capacity of local authorities. Cyprus should ensure support to energy-poor households and adequate minimum pensions.

Czechia: Actions should improve incentives for older workers to continue working, and simplification should focus on public administration and, if appropriate, adjust municipal tax assignment rules. Capital markets should be strengthened, particularly by improving the design of long-term savings products and 3rd-pillar pension funds. The National Development Bank's capacity to mobilise private funding could be improved. Czechia should ensure the full implementation of the Electricity Data Centre's functionalities and enable the electrification of transport and industrial processes. The Council decided that Czechia should improve social housing, without a property tax reform.

Denmark: Recommendations suggest ensuring that measures to address the impact of the energy price hike are temporary and targeted. SMEs could be supported through improved access to innovation financing instruments and strengthening the national innovation procurement framework. Denmark should support upgrades to the electricity network and promote the prevention, reuse, and recycling of municipal and other waste. Housing supply should be increased by simplifying procedures and reviewing land-use planning rules.

Estonia: Actions should broaden the tax base, generate new revenue from property taxation, and direct spending to priority areas. Estonia should address obstacles to the commercialisation of innovation and improve access to finance for SMEs. Actions should ensure sufficient capacity in electricity interconnections and strengthen the resilience of the grid infrastructure. Alongside its neighbours, Estonia should accelerate the completion of Rail Baltica. The accessibility and affordability of healthcare and long-term care should be guaranteed.

Finland: Fiscal measures should focus on long-term sustainability and on reviewing the social security system. Finland should step up the cooperation between businesses and academia to support R&D investments and strengthen economic security, including in critical infrastructure and cybersecurity. Actions should focus on decarbonising industry and transport, and on providing a resilient and sustainable use of land and forest resources. There should be a focus on maintaining adequate and affordable access to healthcare for the elderly.

France: Recommendations suggest shifting taxes away from production toward consumption and environmental taxes, while simplification should focus on eliminating overlapping competencies among authorities. France should better target public support schemes that incentivise business R&D and encourage equity investments. SME digitisation is also key to improving the effectiveness of existing public support measures. Incentives should be created to increase the demand and supply of low-emission transport modes and to boost the energy efficiency of buildings. France should ensure adequate investments in water infrastructure and accelerate the deployment of renewable and clean energy projects. Actions should prevent and reduce in-work poverty and child poverty.

Germany: Actions should ensure that the new Special Fund for Infrastructure and Climate Neutrality increases the productive capital stock, and they should also limit transfers from the federal budget to the pension system. Germany should promote longer working lives and strengthen occupational and individual pension schemes. Simplification should focus on increasing the use of common standards and redesigning public services. Recommendations aim to accelerate the roll-out of very high-capacity digital communication networks and strengthen social housing. Germany should renovate and digitalise its rail network and encourage grid-friendly renewable electricity generation and flexible consumption patterns.

Greece: Efforts should improve tax compliance, including by further centralising and digitalising customs and tax inspections, and by rationalising tax expenditures. Greece should continue reducing the stock of non-performing loans held by banks and credit servicers. Actions suggest completing the regulatory frameworks for environmental licensing and for seashore concession agreements. Greece should complete the reform of bus transport, extend and upgrade the national rail system, and update waste management plans. Recalibration of energy taxes to incentivise electrification is required.

Hungary: Fiscal actions should improve the long-term sustainability of the pension system, while eliminating price and interest-rate caps could facilitate the smooth transmission of monetary policy. Hungary should enhance competition in product and service markets and eliminate practices that restrict competition in public procurement. Actions are also needed to provide tax and regulatory incentives for the development of capital markets. Hungary needs to improve flexibility and competition in the electricity sector and accelerate investments into electrification and affordable public transport. Ensuring effective social dialogue for active labour markets is also necessary.

Ireland: Measures should broaden the tax base to mitigate risks arising from the high concentration of tax revenues. Ireland should implement cost-effectiveness measures in the health system and increase investments in the circular economy. Actions should expand financing sources for scale-ups through institutional investors and enable retail participation in capital markets. Ireland should support energy efficiency in private buildings and ensure that renewable capacity is integrated into the electricity grid. Recommendations aim to improve wastewater treatment and reduce leakage.

Italy: Fiscal measures should reduce remaining tax expenditures, including those related to the VAT and environmentally harmful subsidies. The recommendations are alarming for demographic changes, and urge actions to encourage older workforce participation and retain a high-quality workforce. Italy should strengthen innovation in procurement and facilitate new listings and issuance of corporate bonds. More measures should focus on an industrial strategy, and Italy should address remaining restrictions to competition, including in the transport and electricity sectors. Nature-based solutions and climate insurance coverage are highly suggested, and policies should support effective collective bargaining outcomes.

Latvia: Actions should move informal or undeclared activities into the formal economy, broadening taxation revenues. Latvia should stimulate competition in the financial sector and encourage private investment in research and innovation, mainly by reducing the administrative burden on public-private partnerships. More should be done on the circular economy through eco-innovation and sustainable resource management practices. Latvia should increase the availability and quality of affordable housing, and improve the adequacy of old-age pensions and access to quality social services.

Lithuania: Fiscal measures should improve tax compliance by simplifying special tax regimes and by continuing the phase-out of non-targeted fossil fuel subsidies. The Council recommended enhancing capital market liquidity to improve financing for SMEs, while removing references by the Commission to strengthen funded supplementary schemes for this aim, since in the past these schemes funnelled savings outside of the EU. Lithuania should review existing tax incentives to increase R&D investments and promote intermunicipal cooperation in the provision of shared public services. Actions should be taken to address any bottlenecks related to building renovations and to improve the coordination and attractiveness of public and sustainable transport. Lithuania should expand social protection systems by further developing a centralised monitoring system for social services.

Luxembourg: Actions are needed to limit early retirement options and increase housing supply by adopting a property tax reform and strengthening coordination with urban planning and cross-border public transport. Luxembourg should strengthen its macroprudential framework to address risk in the housing market. Measures should ensure sufficient taxation of outbound payments of interest and royalties to zero- or low-tax jurisdictions. Supplementary pension schemes could address the innovation financing gap, and actions could be taken to remove barriers to competition. Luxembourg should modernise the high-voltage grid and support municipalities in deploying renewable energy.

Malta: Similarly to Luxembourg, actions should be taken to address remaining aggressive tax planning risks and to introduce a withholding tax on outbound payments or equivalent defensive measures. Stronger links between academia and business are recommended to continue stimulating private R&D investments. Malta should focus on investing in active mobility infrastructure and water collection and reuse, while tackling pollution in surface and groundwater. Labour inspections should be strengthened to address job quality concerns in low-skill jobs.

Netherlands: Actions should align the taxation of different types of income from wealth, including a gradual phase-out of mortgage interest deductibility. The Netherlands should simplify planning and permitting procedures for the construction of new dwellings and recalibrate regulated rents. Reforms should support investments in key strategic technologies and in regional innovation ecosystems, while attracting institutional investors. The Netherlands should implement structural measures to effectively address excessive nitrogen deposition and water-quality deterioration. There is a need to reallocate labour to high-productivity sectors and sectors related to societal challenges.

Poland: Actions should improve the adequacy of the pension system, address the pension poverty of women and the self-employed and reform the special pension schemes. Poland should modernise the public research system and reduce territorial disparities, particularly by improving access to and the quality of public services and infrastructure. Revised property taxation could increase affordable housing, and authorities should increase the digital intensity of SMEs. Poland should enable a clean industrial transformation and ensure the sustainable use of natural resources. Addressing tax arbitrage across contract types could reduce labour market segmentation.

Portugal: Fiscal measures should streamline tax expenditures, ensure the fiscal sustainability of the pension system, and promote supplementary pension schemes. Simplification should aim to remove barriers to industrial licensing and other obstacles to their capacity to scale up. Portugal should continue improving financial literacy and strengthening the capacity of the electricity transmission and distribution grid. Actions should address climate-related risks by strengthening sustainable forest and land management. Portugal should enhance coordination of housing policy with integrated urban, spatial, and transport planning.

Romania: Actions should focus on fiscal consolidation and ensure better control over public investments. Fiscal measures should increase the overall tax collection as a share of GDP by focusing on closing the VAT and corporate income tax gaps. Romania should improve public administration by streamlining procedures and enhancing the corporate governance framework for state-owned enterprises. Investments in environmental infrastructure are necessary to improve climate resilience, and reforms should focus on upgrading district heating generation and boosting the electricity system's flexibility and grid capacity. Romania should improve primary healthcare and long-term care, while retaining fiscal sustainability and preserving social inclusion.

Slovakia: Fiscal measures should support deficit reduction, debt sustainability, and higher defence spending, while improving tax efficiency, compliance, and the targeting of social and energy support. Slovakia should improve the business environment through predictable regulation, stronger impact assessments, public procurement, judicial independence, and anti-corruption enforcement. Actions should accelerate cohesion policy implementation, eGovernment, gigabit connectivity, SME digitalisation and R&I. Investments should support industrial decarbonisation, energy diversification away from Russian sources, renewables, grids, sustainable transport, and climate resilience. Labour market measures should support underrepresented groups, childcare, education, skills, healthcare, and long-term care.

Slovenia: Measures should control net expenditure, preserve debt sustainability, and support higher defence spending, while improving spending efficiency and shifting tax revenues towards more growth-friendly sources. Slovenia should continue RRF and cohesion policy implementation, simplify regulation, reduce administrative burdens and barriers to services, and strengthen conditions for equity, venture capital, and R&I investment. Actions should accelerate public-service digitalisation, renewables, energy storage, grids, energy efficiency, and sustainable transport. Labour market measures should address skills shortages, improve education and lifelong learning, speed up foreign-worker procedures and strengthen healthcare, care, and teaching attractiveness.

Spain: Fiscal measures should keep net expenditure within the recommended path, support debt sustainability and higher defence spending, while limiting tax expenditures and improving spending efficiency. Spain should reduce administrative burdens and regional regulatory fragmentation, and strengthen productivity, innovation, R&I, industry-academia cooperation, and access to finance. Actions should improve justice system capacity and interoperability, climate resilience, water management, energy grids, storage, and interconnections. The Commission initially recommended that Spain further develop the disaster financing framework, but the Council removed the reference, while acknowledging the importance of closely monitoring Spain's framework. Social reforms should address child poverty, skills mismatches, early school leaving, healthcare access, and regional disparities.

Sweden: Actions should keep net expenditure within the recommended ceiling, preserve debt sustainability and support structurally higher defence spending, while ensuring any energy support remains temporary and targeted. Sweden should continue RRF reforms and investments and sustain cohesion policy implementation. Housing reforms should improve rental market efficiency, stimulate residential construction, ease urban shortages, and reduce incentives for household debt accumulation. Actions should support emissions reductions, particularly in road transport, expand energy transmission networks and streamline renewables permitting. Education and labour market measures should address disadvantaged groups, teacher shortages, skills mismatches, and labour market integration.

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