OVERVIEW

Structural reforms have been identified as crucial to accelerating economic recovery, boosting growth and reducing unemployment. In November 2015, the European Commission proposed to establish the Structural Reform Support Programme 2017-2020, to provide Member States with technical assistance in designing and implementing structural reforms, with a budget of €142.8 million taken from existing allocations to the structural and investment funds. Building on experience relating to reforms in Greece and Cyprus, the programme aims to improve administrative and institutional capacity, to facilitate better implementation of EU law, in particular the country-specific recommendations issued under the European Semester, more efficient use of EU funds and the introduction of growth-enhancing structural reforms.

The Council prepared its negotiating stance in April 2016, while the EP’s REGI Committee is to discuss its draft report in the autumn.


<table>
<thead>
<tr>
<th>Committee responsible:</th>
<th>Regional Development (REGI)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rapporteurs:</td>
<td>Lambert van Nistelrooij (EPP, The Netherlands)</td>
</tr>
<tr>
<td></td>
<td>Constanze Krehl (S&amp;D, Germany)</td>
</tr>
<tr>
<td>Associated committee:</td>
<td>Economic &amp; Monetary Affairs (ECON)</td>
</tr>
<tr>
<td>Rapporteur:</td>
<td>Costas Mavrides (S&amp;D, Cyprus)</td>
</tr>
<tr>
<td>Next steps expected:</td>
<td>Discussion of the draft report</td>
</tr>
</tbody>
</table>


Ordinary legislative procedure (COD) (Parliament and Council on equal footing – formerly 'co-decision')
Introduction
As part of the November 2015 European Semester package, the European Commission proposed a regulation establishing the Structural Reform Support Programme (SRSP) 2017-2020. Structural reforms were identified as one of the priority areas in the Annual Growth Survey for 2016, which launched the annual cycle of EU economic policy coordination. Similarly, the country-specific recommendations (CSRs) for 2016 pushed for reforms aimed at modernising the EU economy and improving long-term growth prospects. Major efforts are required in Europe, particularly in the areas of the regulatory environment for businesses, stimulating growth and increasing labour participation and productivity, not least in light of the ageing population.

The proposal comes in the context of gaps identified in the implementation of the CSRs, EU law and the use of EU funds. The objective of the Structural Reform Support Programme is to offer technical assistance to all Member States, aimed at improving their institutional and administrative capacities for implementing structural reforms with a view to building strong economic foundations (Article 4 of the proposed regulation). The proposal draws on positive experiences with technical assistance in connection with reforms in Greece and Cyprus and aims to make the expertise gathered available to all Member States, on a voluntary basis and at the Member State’s request.

The SRSP would provide technical support for national authorities in a wide variety of policy areas, such as public financial management, administration, business environment, trade, competition, labour markets, education and training, social security systems, migration and agriculture (Article 5). Eligible actions include workshops, expert advice, working visits, training, data collection, research, methodology development, IT capacity building, studies, evaluations and awareness-raising campaigns, systems and tools (Article 6).

Support under the programme would be organised by the Commission and implemented in cooperation with other Member States and international organisations. Multiannual work programmes would set out policy objectives, expected results and funding priorities, with further details regarding implementation specified in annual work programmes. Initially, a gradual roll-out of the programme is planned for two to three Member States starting in 2017, with further expansion to include more Member States.

During the four-year period of the programme, an interim evaluation would be conducted by mid-2019 and an ex-post evaluation by the end of 2021. The proposal includes an annex with a list of indicators to assess the programme's efficiency, for example the number of projects and feedback from stakeholders.

The financial envelope for the programme is up to €142.8 million from technical assistance allocations under the European Structural and Investment Funds (ESI Funds), with up to €112 million redirected under the global resources of the cohesion policy funds and up to €30 million from the European Agricultural Fund for Rural Development (EAFRD). This requires the amendment of Regulation (EU) No 1303/2013 establishing the common provisions for all the ESI Funds – the Common Provisions Regulation (CPR) – and Regulation (EU) No 1305/2013 on the EAFRD. In addition to this financial envelope, further contributions can be made by the Member States. These contributions may include a transfer of ESI Funds resources for technical assistance at the initiative of the Member States, under Article 59 of Regulation (EU) No 1303/2013.
Existing situation

Currently, support for all Member States is available through EU financing programmes in a variety of individual policy areas under the Multiannual Financial Framework (MFF). More comprehensive and tailor-made support is available for implementing reforms in Member States under economic adjustment and financial assistance programmes. To date, reforms under these programmes have focused on the financial and banking sector, fiscal sustainability, public administration, labour markets and a variety of other structural reforms to enhance growth, competitiveness and investment. Since July 2015 the Structural Reform Support Service (SRSS) of the European Commission has been coordinating and providing technical support with implementing reforms and developing institutional and administrative capacity, mainly in Member States receiving financial assistance in the context of the EU economic governance framework. The service was set up in order to preserve the expertise gathered while supporting reforms in Greece and Cyprus, with a view to extending it to other Member States.

Technical assistance is also available under the CPR, primarily to support more effective management of the ESI Funds in line with their objectives. Part of this technical assistance is available for 'structural and administrative reforms in response to economic and social challenges' (Article 58(1)(l) CPR) in Member States under financial assistance programmes. Similarly, the possibility to transfer technical assistance resources is currently reserved for Member States with temporary budgetary difficulties (Article 25 CPR). Further rules on technical assistance (such as the ceilings for each fund) are stipulated in the separate regulations on each of the ESI Funds.

Parliament’s starting position

In its February 2016 resolution on the Annual Growth Survey, the EP welcomed structural reforms as a policy priority and called for a variety of sustainable reforms to strengthen growth, job creation and efficient administration. It took note of the proposal for the SRSP, reiterating the Member States' responsibility for reform implementation. In its resolution of March 2016 on general guidelines for the preparation of the 2017 budget, it urged the Commission to guarantee that SRSP funding would be used to strengthen economic, social and territorial cohesion. Similarly, in its resolution of October 2015 on the ESI Funds and sound economic governance, it emphasised the role of cohesion policy as an investment tool and warned against possible hindering of its goals by economic governance mechanisms.

Council and European Council starting position

The European Council, in its conclusions of March 2016 on jobs, growth and competitiveness, endorsed structural reforms as a priority area, stressing the importance of sustainable recovery taking social issues into account.

In its conclusions of May 2016 on the implementation of the country-specific recommendations, the Council of the EU underlined the need for structural reforms in all Member States to sustain economic recovery, correct imbalances and improve conditions for investment and growth. In the context of employment, it stressed the need for structural reforms in the labour market and active labour market policies.

Preparation of the proposal

The proposal for a regulation establishing the SRSP was not accompanied by an impact assessment. Instead, an ex-ante evaluation was issued together with the proposal in
November 2015 (**SWD (2015)750**). The SRSS of the European Commission, which conducted the evaluation, analysed the issue and presented two policy options – status quo or introduction of the SRSP.

The analysis notes that administrative and institutional capacity to implement reforms varies among Member States. In particular, it identifies the need to address gaps in the implementation of the country-specific recommendations, an area that has been lagging (see Figure 1).

**Figure 1 – Implementation of CSRs, 2013 and 2014**

Data source: [European Commission](http://ec.europa.eu), 2015.

In addition, the evaluation points out the need to improve the implementation of EU law and ensure compliance. According to the 2014 Commission [report](http://ec.europa.eu) on the application of EU law, there are still over 1,000 infringement procedures open each year. This has possible implications for public investments, especially if Member States are found to be in breach of state aid and public procurement rules.

It is argued that a better impact can be achieved if reforms are undertaken simultaneously across countries and policy areas on account of the strong interconnection between Member States’ economies and cross-reform spillover effects. The crucial role of the institutional framework and administrative capacity is underlined in this context.

An additional rationale for the programme is to consolidate the expertise gained via the Support Group for Cyprus (SGCY) and Task Force for Greece (TFGR). An independent consultancy [report](http://ec.europa.eu) from 2014 showed the positive effects of technical assistance for Greece (especially in the area of tax administration and central administration reform), recommending the expansion of technical assistance to other Member States and beyond crisis situations. Similarly, the 2015 European Court of Auditors’ [report](http://ec.europa.eu) stressed the effectiveness of the technical assistance model, based on a coordinating structure within the Commission.

The SSRS evaluation also identifies some risks and recommends care when it comes to monitoring the actual implementation of reforms by the Member States receiving SRSP support, so as to secure synergies with existing EU programmes or national measures, avoid overlaps and double funding, and ensure proper monitoring of projects. Overall, the evaluation concludes that the programme would bring far-reaching beneficial effects in a cost-effective manner.
The changes the proposal would bring

The Structural Reform Support Programme 2017-2020 aims to offer support to all Member States for the implementation of a broad range of reforms. Currently, this type of cross-cutting support for reform is offered only to countries under economic adjustment programmes. Technical assistance is also available under the ESI Funds, mainly for the management of those funds but also for reforms in Member States with temporary budgetary difficulties.

To enable an extension of support for reform to all Member States and to cover a broader range of policy areas, while also freeing up financial resources for the programme, the Commission has proposed amendments to the current regulations on the ESI Funds and the EAFRD (see Articles 17 and 18 of the proposed regulation on SRSP). In the case of the Common Provisions Regulation the proposed amendments refer to the replacement of the title of Article 25, 'Management of technical assistance for Member States with temporary budgetary difficulties', with 'Management of technical assistance for Member States', changing the wording of the article to enable the use of technical assistance resources for measures specified in the regulation on the SPRS. Moreover, a reference to Article 10 of the regulation on SRSP is added with regard to additional contributions going beyond the overall financial envelope of €142.8 million. These contributions can be made by transferring a part of ESI Funds resources for technical assistance at the initiative of the Member States (available under Article 59 of Regulation (EU) No 1303/2013) to technical assistance at the initiative of the Commission for implementation of SRSP measures. A paragraph is added to specify that this transfer of resources shall be subject to the decommitment rule. In Article 58(1), on technical assistance at the initiative of the Commission, the last paragraph regarding support for reforms for Member States under financial assistance programmes is replaced to enable the financing of actions for all Member States under the SRSP. Furthermore, the amendment to Article 91(3) on the financial framework earmarks up to €112 233 000 for the SRSP.

In the case of Regulation (EU) No 1305/2013 on the European Agricultural Fund for Rural Development (EAFRD), the proposed amendment earmarks up to €30 567 000 for the Structural Reform Support Programme from its allocation to technical assistance.

Advisory committees

The European Economic and Social Committee (EESC) adopted its opinion on 16 March 2016. It welcomed the initiative but considered the proposed budget insufficient to support macroeconomic policy reforms. It also regretted that the financing was to come from existing ESI Funds and advocated the establishment of a self-supporting structural reform support programme under the future Multiannual Financial Framework (MFF). The Committee called for greater involvement of social partners and civil society stakeholders in the design and monitoring of reforms while ensuring that eligible actions included capacity-building for social and civil society actors engaged in reform programmes. It considered the proposed list of indicators for monitoring and evaluating the programme to be insufficient, and suggested complementing it with indicators already used for the ESI Funds. The EESC also recommended including the SRSP within the current CPR monitoring system for the ESI Funds.

The European Committee of the Regions adopted its opinion on 7 April 2016. It highlighted the role of local and regional authorities in implementing structural reforms
on the ground, as well as the fact that some country-specific recommendations were addressed to them. The Committee therefore proposed that eligibility for actions should be extended to local and regional authorities. It also insisted that the transfer of funds from the ESI Funds should only be a temporary solution, and warned against subordinating cohesion policy to the European Semester. Moreover, it stressed that the SRSP should be treated as a pilot programme and evaluated before the next financial programming period to decide whether it should be made permanent and whether a ‘fund of own resources’ should be established. In addition to these policy recommendations, the opinion proposed 17 amendments to the text of the regulation.

National parliaments

The proposal for a regulation was submitted to national parliaments, with a subsidiarity deadline of 25 January 2016. None of the 12 Member States that examined the proposal issued a reasoned opinion.

Several national parliaments contributed views, however. The UK House of Commons reacted to the proposal with two reports issued during the scrutiny process. It supported the principles and objectives of the proposal. However, it considered the UK unlikely to draw support from the programme. The Polish Sejm issued an opinion in which it supported the programme in principle but pointed out the lack of a reliable impact assessment and questioned extending the support to funds other than from the ESI Funds. It also stressed the need to obtain more details on the implementation of the programme and the voluntary nature of using technical assistance. The Romanian Chamber of Deputies also endorsed the programme in its opinion and considered it relevant to increase the absorption and efficiency of EU funds. It called for clarification of the criteria for emergency support and pointed out the possibility of improving the functioning of existing mechanisms before creating new ones. Moreover, it questioned the usefulness of the programme for countries that were not having difficulties in the areas of administrative capacity and economic governance.

Stakeholders’ views

This section aims to provide a flavour of the debate and is not intended to be an exhaustive account of all different views on the proposal. Additional information can be found in related publications listed under ‘EP supporting analysis’.

The publication of the proposal was not preceded by a public consultation. So far, stakeholders have not issued official opinions on the SRSP. On the issue of structural reform in general, BusinessEurope (the Confederation of European Businesses) in its 2016 reform survey raised concerns over possible ‘reform fatigue’ in Europe and called for faster implementation of practical measures, including better implementation of the CSRs which it viewed as generally focusing on the right objectives.

The European Trade Union Confederation (ETUC), in its position on the Annual Growth Survey 2016, called for a proper assessment of post-crisis EU reforms, warned against reforms with a possible negative impact on workers and stressed the need for social dialogue in the area of reform.

Legislative process

On 26 November 2016 the Commission adopted the legislative proposal and submitted it to the European Parliament and the Council. On 20 April 2016 the Council agreed on a Presidency compromise text, which was supported by the majority of the Member States at working party level. The Committee of Permanent Representatives (Coreper)
agreed the **negotiating stance** on behalf of the Council on 28 April 2016. The amendments to the proposed regulation included adding 'productivity' and 'cohesion' to the objectives of the programme (Articles 4 and 5), including a new definition of 'national authority' to include authorities at regional and local levels (Article 2), supplementing the evaluation of the programme with an annual monitoring report, and insisting that the mid-term and final evaluations proposed by the Commission be independent (Article 15). The amendments also specified a six-month limit on Commission special measures to address urgent needs (Article 12) and stressed the need for a qualitative analysis to evaluate the programme, in addition to the quantitative indicators proposed in the annex to the proposal.

At the European Parliament, the legislative process is in its early stages. After the process of attributing the file proved lengthy as a result of its cross-cutting nature (cohesion policy and economic governance), the Committee on Regional Development (REGI) was appointed as lead committee on 4 May 2016, with the Committee on Economic and Monetary Affairs (ECON) acting as associated committee (Rule 54 of the Rules of Procedure). The ECON Committee's rapporteur published a **draft opinion** on 29 June 2016, proposing 26 amendments to the regulation. The amendments highlighted that reforms should be growth-friendly and investment-oriented and aim for quality job creation, social inclusion, territorial cohesion, equal opportunities, combating poverty and fair competition. They also emphasised the 'ownership of structural reforms by Member States, including local and regional authorities and the social partners'. Were the SRSP to be made permanent in the future, the draft reports recommended establishing a fund of own resources rather than financing it from ESI Funds.

Draft opinions have also been produced in two other committees. The Committee on Fisheries (PECH) **draft opinion** of 18 February 2016 stressed that any future contribution to the SRSP from the European Maritime and Fisheries Fund (EMFF) 'should be earmarked exclusively for implementation of the Common Fisheries Policy.' The **draft opinion** in the Committee on Culture and Education (CULT) of 1 June 2016, meanwhile, raised concerns over the linking of education, training and cultural policies with economic goals, and proposed excluding funds allocated to this purpose from the programme's financial envelope.

A **webstreamed** exchange of views with the Commission Vice-President for the Euro and Social Dialogue, Valdis Dombrovskis, who coordinates the SRSS, took place in the REGI Committee on 25 May 2016. The issues raised by MEPs included the increasing link between cohesion policy and the European Semester (especially the CSRs and the previously contested macroeconomic conditionality), the possibility of finding other resources to finance the programme and the model of reforms to be pursued. In addition, the involvement of local and regional authorities in reform was mentioned, and concerns over coordination and complementarity with other EU financing programmes raised.

The REGI co-rapporteurs' draft report is expected in September, with discussions and a vote in the Committee scheduled to take place in the autumn.
EP Supporting analysis

European Semester: 'Revamping' and 2016 priorities, EPRS, 2016.

Other sources

Structural reform support programme 2017-2020, European Parliament, Legislative Observatory (OEIL).


Structural reforms in Europe: achievements and homework, OECD, 2015.

The Role of Structural Reform for Adjustment and Growth, European Commission, 2014.

Endnotes

1 The 'Union funds' referred to in the proposed regulation are the European Structural and Investment Funds (ESI Funds), the Fund for the European Aid to the Most Deprived (FEAD), the Asylum, Migration and Integration Fund (AMIF), and the Internal Security Fund (ISF).

2 The Cohesion Fund, the European Regional Development Fund and the European Social Fund.

3 Decommitment means the withdrawal of funds if they are not used within a specific timeframe.

Disclaimer and Copyright

The content of this document is the sole responsibility of the author and any opinions expressed therein do not necessarily represent the official position of the European Parliament. It is addressed to the Members and staff of the EP for their parliamentary work. Reproduction and translation for non-commercial purposes are authorised, provided the source is acknowledged and the European Parliament is given prior notice and sent a copy.


eprs@ep.europa.eu
http://www.eprs.ep.parl.union.eu (intranet)
http://epthinktank.eu (blog)

First edition. The ‘EU Legislation in Progress’ briefings are updated at key stages throughout the legislative procedure.