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Ex-ante Evaluation

Accompanying the document

Proposal for a
REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

on the establishment of the Structural Reform Support Programme for the period 2017 to 2020 and amending Regulations (EU) No 1303/2013 and (EU) No 1305/2013

{COM(2015) 701 final}

1. CONTEXT

The creation of a sound regulatory and institutional environment and a smoothly-functioning economy are essential for making gains in competitiveness, encouraging investment, supporting employment creation, raising living standards and producing sustainable growth across the Union.

Many economies in the Union went through and continue to undergo adjustment processes to correct macroeconomic imbalances and remove investment obstacles and many are facing the challenge of low potential growth. This situation is often a result of delayed and/or insufficient structural reforms in the respective economies. The Union has identified the implementation of structural reforms among its policy priorities to strengthen the adjustment capacity of Member States, and help unlock the Union growth potential and support the process of convergence.

Institutional and structural reforms are by their very nature complex processes, the design and implementation of which requires a complete chain of highly-specialised knowledge and skills. Member States (MS) often exhibit varying abilities in their attempt to reform, which might hamper long-term growth, limit convergence and impede the much-needed increases in social welfare and job-creation. Technical support for the implementation of structural reforms begins with the identification of priorities and then the design of the reforms; this is followed by support for implementation, ex-post evaluation and further reform where needed.

Technical assistance (TA) to support reforms can foster Member States' administrative capacity and disseminate good practices in key policy areas for the achievement of the common goals set out by the Union law. Improving the implementation of the Union acquis is one of the priorities of the Commission as set out in the Communication on "Better regulation for better results - An EU agenda"[1]. In this Communication, the Commission indicated that it needs to "cooperate with Member States in examining the best ways to ensure compliance with Union law at national level […], and continue to carefully monitor that Union Directives are transposed in a clear, correct and timely manner and that Union rules are properly implemented and enforced in all Member States, bringing legal certainty and allowing citizens and businesses to benefit from the opportunities of the single market".

The need to cooperate with Member States also exists in respect of gaps which have been identified with regard to the implementation of reforms, in particular those recommended by Country Specific Recommendations (also referred to as CSRs) in the context of the European Semester.

The present ex-ante evaluation supports the Commission proposal for a Regulation of the European Parliament and of the Council establishing the Structural Reform Support Programme (SRSP) - hereafter "the Programme"- for the period 2017 to 2020[2].

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[1] Communication from the Commission to the European Parliament, the Council, The European Economic and Social Committee and the Committee of Regions Better regulation for better results - An EU agenda, Strasbourg, 19.5.2015, COM(2015) 215 final.

[2] Regulation (EU) No XXX/XXX of the European Parliament and of the Council on the establishment of the Structural Reform Support Programme for the period 2017 to 2020 and amending Regulations (EU) No1303/2013 and (EU) No 1305/2013.

The SRSP would provide support to institutional, administrative and structural reforms in the Member States by providing support to national authorities for measures aimed at reforming institutions, governance, administration, economic and social sectors in response to economic and social challenges with a view to enhancing competitiveness, growth, jobs, and investment, in particular in the context of economic governance processes, including through assistance for the efficient and effective use of the Union funds[3], on request by a Member State. This evaluation has been conducted in the second semester of 2015 by the Commission service in charge of providing support for the preparation and implementation of growth-enhancing administrative and structural reforms for all Member States, i.e. the Structural Reform Support Service (SRSS) which is part of the Secretariat-General of the European Commission. The ex-ante evaluation addresses the requirements of Article 30(4) of the Financial Regulation on the implementation of the budget.

2. PROBLEM ANALYSIS AND NEEDS ASSESSMENT

Sustained economic growth requires timely adaptation to changing circumstances. In some Member States the capacity to initiate and implement structural reforms is often not adequate in view of the reform challenges ahead. As a result, Member States risk becoming trapped in low-growth equilibria, with potentially serious consequences for financial, social and political stability in the future.

Moreover, lack of reform implementation in the Member States limits the Union's and notably the Economic and Monetary Union's (EMU's) resilience necessary to ensure convergence between Member States and within their societies, the resilience necessary to ensure increasing productivity, job creation and social fairness. Due to the strong interconnections between the economies of EMU Member States, the inadequacy of reform efforts cannot be seen as a purely national problem. To address this problem, economic surveillance of Member States has been strengthened but it is primarily for the Member States to ensure that reforms are effectively implemented.

Available research on the impact of reforms on growth suggests important potential gains. Quantitative model-based assessment of the potential impact of structural reforms show for example that Euro Area Gross Domestic Product (GDP) could be up to 6% higher after ten years if Member States adopt measures to halve the gap vis-à-vis the average of the three

[3] For the purpose of the present document, "Union funds" refer to the European Structural and Investment Funds (ESIF), the Fund for European Aid to the Most Deprived (FEAD), the Asylum, Migration and Integration Fund (AMIF), and the Internal Security Fund (ISF). Cf. respectively: 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; Regulation (EU) No 223/2014 of 11 March 2014, on the Fund for European Aid to the Most Deprived, O.J. L 72/1 of 12.3.2014; Regulation (EU) No 516/2014 establishing the Asylum, Migration and Integration Fund, Regulation (EU) No 513/2014 establishing, as part of the Internal Security Fund, the instrument for financial support for police cooperation, preventing and combating crime, and crisis management, and Regulation (EU) 515/2014 establishing, as part of the Internal Security Fund, the instrument for financial support for external borders and visa.

best-performing Member States in each of the reform areas assessed (labour and product markets) in the model simulation.[4]

Furthermore, according to the findings of the International Monetary Fund (IMF) Global Integrated Monetary and Fiscal Model (GIMF) on short and long-term GDP impact of reforms in the Euro Area, under the assumption of reducing 50% of Euro Area countries' gap with the Organisation for Economic Co-operation and Development (OECD) best practice in labour market and pension policies, GDP could increase on average by almost 1.5% after 5 years and by another 2.25% through the implementation of product market reforms; if reforms are jointly implemented, the effect becomes bigger.[5]

Apart from cross-reform spillovers, empirical analysis reveals that some structural reforms create positive spillovers when these are undertaken simultaneously by more than one country.[6] In the same vein, international cooperation for exchanging experiences on implementing reforms can enhance awareness of their costs and benefits while international arrangements can function as a "commitment device" against resistance to reforms.[7]

Over the last years, the annual Country Specific Recommendations (CSRs) adopted by the Council upon a recommendation by the Commission push for reforms towards overcoming growth obstacles and achieving long-term sustainable economic development. However, reform design and implementation in Member States as a response to the CSRs has not yet reached the desired level and outcome. The following graphs depict the progress of CSRs implementation for the 2013 and 2014 CSRs as assessed in the 2014 and 2015 Commission's staff working documents.[8]

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4 The growth impact of structural reforms, Quarterly report on the euro area, Vol. 12, Issue 4. December 2013, available at: http://ec.europa.eu/economy_finance/publications/qr_euro_area/2013/pdf/qrea4_section_2_en.pdf.

5 B. Barkbu et al. (2012), "Fostering growth in Europe now", IMF Staff Discussion Note, IMF.

6 Janos Varga and Jan in 't Veld. "The growth impact of structural reforms". Vol 12, No 4. P. 17-27.

7 World economic and financial surveys (2004), "World Economic Outlook. Advancing Structural Reforms", Chapter III: Fostering Structural Reforms in Industrial Countries, IMF.

8 Note that the assessment of 2013 CSRs does not include Croatia, Ireland, Portugal, Greece and Cyprus while in 2014 the latter two are still excluded.

Figure 1: 2013 CSRs (assessed by subparts of the CSRs)[9]

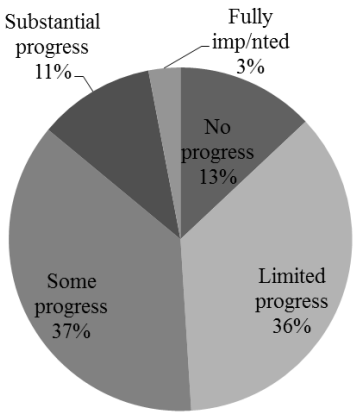
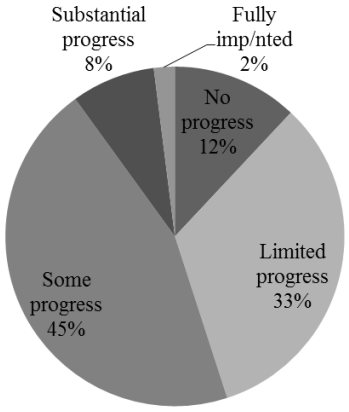


Figure 2: 2014 CSRs (assessed by subparts of the CSRs)



Source: European Commission

Furthermore, with regard to the implementation of Union law in Member States, the Commission regularly examines the texts of national transposition measures and initiates own-initiative investigations. The latest Commission's Annual Report of 2014 on "Monitoring the application of Union law" reports that despite the decreasing trend in formal infringement procedures, their number still accounts for 1347 cases across the Union[10].

Member States may face challenges as regards the design and implementation of structural and administrative reforms. This may relate to factors, such as the limited administrative and institutional capacity and the inadequate application and implementation of Union legislation.

2.1. Limited administrative and institutional capacity

Any reform must be well-designed, legislated and effectively implemented. Effective reforms require more than just passing the necessary legislation – they require effective and efficient implementation which implies addressing the structural problems in national authorities (e.g. responsibilities, competences, mobility, incentives, changes to work processes, etc.). The benefits of reforms may take some time to materialise. Therefore, early and efficient design and implementation are crucial.

The institutional capacity to plan, design and implement reforms often varies significantly among Member States. Usually the weakness to reform is more skewed towards the Member States that are in most need of reforms. A paper of the "European Union – OECD Sigma" identifies overall institutional weaknesses of a certain number of Member States.[11] In particular, it underlines challenges in civil governance, administrative practices and capacity to implement laws, with important consequences on the capacity of the countries concerned to implement Union law and related reforms.

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9 Each CSR includes more than one policy action. In order to facilitate the implementation assessment, a CSR has been divided into subparts corresponding to policy actions.

10 Report from the Commission, "Monitoring the application of Union law 2014 Annual Report, COM(2015) 329 final, available at: http://ec.europa.eu/atwork/applying-eu-law/docs/annual_report_32/com_2015_329_en.pdf

11 Meyer-Sahling, J. (2009), "Sustainability of Civil Service Reforms in Central and Eastern Europe Five Years After EU Accession", Sigma Papers, No. 44, OECD Publishing.

Furthermore, it is not only the process of reform itself that represents the challenge, but also the number of reforms needed simultaneously in different areas. Reports[12] from the European Court of Auditors (ECA) identify the limited capacity of certain Member States to reform specific policy areas (customs, taxes, transport, etc.). The ECA identifies three main weaknesses leading to major faults in implementation of policies and reforms in particular areas:

a) Weaknesses of the authorities in charge of the specific areas to translate reform objectives into operational action plans;

b) Failure of the authorities in charge to adopt the relevant implementing instruments to reach the objectives. Instruments are chosen from those readily available by the country rather than specifically designed for the purpose to fulfil;

c) Legalistic and formalistic approach to implement Union rules, with limited impacts on the pursued objectives.

These weaknesses are related to institutional and administrative capacity. According to the reports, it is not only that national authorities often do not have the appropriate expertise but they also often have difficulties in learning and adapting, possibly due to the absence of sufficient empowerment and endowment.[13]

2.2. Inadequate application and implementation of Union legislation towards achieving the Union's fundamental goals

The implementation of Union legislation and policies relies on the national capacity of each Member State to effectively select the best instruments to meet the objectives, translate them into reform plans, involve and coordinate all stakeholders concerned, deploy the relevant measurement tools, assess the implementation and ensure that the final outcomes meet the objectives. This may represent standard practice for the implementation of Union acquis. This approach may raise (in certain circumstances and for some Member States) potential concerns, insofar it does not necessarily:

a) take advantage of the potential synergies between Member States, e.g. sharing best practices;

b) take adequately into account the administrative capacity in some Member States;

c) allow the Union and the Member States to fully use the potential benefits from the interactions between policy-making and its implementation.

The Commission may take action if a Member State fails to incorporate Union directives into national law or if it is suspected of breaching Union law through infringement procedures. In certain situations, the Member States are found to be in breach of Union State Aid and public procurement rules, which may have negative consequences for the public investments (often

[12] Phedeon Nicolaides (2013) "Administrative Capacity for Effective Implementation of EU law" – analysis of selected reports from ECA, including "the EU transit system" (2006), "Are simplified procedures for imports effectively controlled?" (1/2010), "Are school Fruit Schemes effective?" (10/2011), "Financial instruments for the SMEs co-financed by the ERDF" (2/2012).

[13] Cf. the analysis referred to in footnote 12.

co-financed by Union funds). The correct implementation of Union legislation and acquis and the avoidance or swift conclusion of infringement, State Aid and public procurement procedures are in the interest of all Member States and the Union as a whole.

Moreover, with regard to Union funds potential impediments and structural weaknesses at national level (i.e. complexity of administrative procedures in the management of Union funds, national "gold-plating" of Union rules, etc.) can form a barrier to the effective use of the full potential of these funds and may not allow for the emergence of positive synergies.

On the whole, building-up the necessary capacity structures within national authorities and creating a strong governance environment to support the design and implementation of reforms as well as effectively applying Union law is of great value, not only for Member States considered but also for the Union towards achieving its fundamental goals.

2.3. Past experience, lessons learnt and going forward

In order to be able to respond to Member States' requests for technical support in a number of policy areas from the Union, a comprehensive and integrated framework to allow the Union to concretely respond to such requests would have to be available.

Currently Union sectoral support can be provided via existing financing programmes (open to all Member States) within the Multiannual Financial Framework. The only case in which "extensive" support (i.e. support tailored-made to the country needs, spanning over several public policy areas and provided in a comprehensive way and with an overall "country" vision) could be provided is/was in connection with economic adjustment programmes for certain Member States in financial difficulties.

In particular, past experience of providing technical assistance in support of the implementation of reforms and policy measures is related to the economic adjustment programmes for Cyprus and Greece (via the Support Groups for Cyprus - SGCY - and the Task Force for Greece - TFGR). The provision of technical assistance for almost four years by the TFGR and two years of TA provision by the SGCY, in areas spanning over almost the entire spectrum of public policy areas, serves as a basis to further improve the effectiveness of the support provided to the Greek and Cypriot authorities and provides useful lessons for the roll-out of technical assistance to other Member States.

The technical support provided to Greece by the Commission services coordinated by the "Task Force for Greece" with the view to supporting the implementation of the economic adjustment programme was subject to an evaluation carried out by an independent consultancy in July 2014.[14] This evaluation assessed the technical assistance provided to the Greek authorities in two key areas, i.e. tax administration and central administration reform, based on more than forty interviews concluded with key technical assistance providers and recipients, including the political leadership, senior managers, middle managers, and junior employees from Greece, other involved Member States and International Organisations (IOs).

[14] Final report, July 2014: VC/2014/0002 Preliminary Evaluation of the Technical Assistance provided to Greece in 2011-2013 in the areas of Tax Administration and Central Administration Reform Prepared by Alvarez & Marshal Tax and Adam Smith International for the European Commission, available at: http://ec.europa.eu/about/taskforce-greece/pdf/tfgr/evaluation_report_alvarez_july_2014_en.pdf.

Overall, this evaluation concluded that technical assistance delivered and coordinated by the TFGR had contributed to the implementation of the reform programme in Greece in the areas under evaluation during the period 2011-2013. This conclusion was based on an assessment of the effectiveness, efficiency, relevance and sustainability of the assistance delivered and was largely confirmed by the responses of most of the stakeholders involved. They indicated that in the absence of technical assistance delivered by the TFGR, the reforms undertaken would not have materialised.

Furthermore, the report stated: *"Technical Assistance should not only be provided when an EU country is in crisis. It should be a normal activity within the EU. The European Commission can work with Member States to establish a permanent structure with a dedicated budget to enable co-operation and exchange of expertise between Member States and co-ordinate the provision of Technical Assistance to all Member States to enable sharing and adoption of best practice. Exchanging best practice not just in ideas but in implementation of those ideas has been highlighted as important in the feedback received."*

Additionally, discussions with stakeholders, such as Member States, related national agencies[15] providing technical assistance and International Organisations took place in the past through regular (high-level) coordination meetings organised by the TFGR and the SGCY. During these meetings Member States, International Organisations and European Commission services have been discussing specific assistance needs for Greece and Cyprus and ways to address them. On these occasions, several Member States, both in the technical assistance supply and demand side have expressed appreciation for the work done by the TFGR and SGCY and their willingness to continue the cooperation in this respect. Additionally, they expressed concerns on the future of TA work if these entities would cease support. The statement of the Eurogroup on Greece of May 2014 recognises the contribution of technical assistance to the progress in implementing the economic adjustment programme and highlights the need to step up the current technical assistance in support of growth related reforms. The Eurogroup also encouraged the Member States to provide further technical assistance to Greece and to establish partnerships with Greece, acting as reform partners.[16]

In view of this positive experience, the intention is to provide comprehensive and integrated technical support to all Member States that would request assistance, i.e. beyond those receiving financial assistance from the Union under economic adjustment programmes.

3. OBJECTIVE

The general objective of the Union action is:

- to contribute to institutional, administrative and structural reforms in the Member States by providing support to national authorities for measures aimed at reforming institutions, governance, administration, economic and social sectors in response to economic and social challenges with a view to enhancing competitiveness, growth,

[15] National agencies such as the GIZ: Deutsche Gesellschaft für Internationale Zusammenarbeit, the German Federal Enterprise for International Cooperation, BTC: Coopération technique belge, Adetef: Assistance au Développement des Échanges en Technologies Économiques et Financières etc.

[16] Eurogroup statement on Greece 5.05.2014, available at: http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/en/ecofin/142481.pdf.

jobs, and investment, in particular in the context of economic governance processes, including through assistance for the efficient and effective use of the Union funds.

Expected results of the Union action

The Union action is expected to contribute to the reinforcement of the administrative capacity in the Member States to reform institutions, the administration, economic and social sectors, including through the efficient and effective use of Union funds, with a view to providing simplified, efficient and modern structures at the service of citizens and businesses. Expected results can be indicated as follows:

- Enhanced ability of national authorities of the Member States to identify and address economic and structural weaknesses;

- Strengthened competencies and ability of national authorities of the Member States in developing, designing and implementing reform policies according to priorities;

- Enhanced capacity of national authorities of the Member States to pursue an integrated approach to reforms across policy areas while ensuring consistency between goals and means;

- Enhanced capacity of national authorities of the Member States to define processes and methodologies at national level in order to support reform design, management and implementation inter alia as a consequence of exchange of good practices and lessons learnt by peers;

- Strengthened efficiency and effectiveness of human resources management of national authorities of the Member States through increasing professional knowledge, skills and adaptability to change management processes;

- Enhanced channels of communication established with the Commission, Member States and International Organisations in order to improve communication and coordination of reform efforts; and

- Enhanced capacity of national authorities of the Member States to ensure progress of reforms recommended within the European Semester cycle, economic adjustment programmes, Member State's own-initiative reforms, and to ensure consistent and coherent implementation of Union law.

The expected results are, very much, country and project-dependent, and their attainment will vary according to the policy areas and the breadth and depth of the support provided. Furthermore, they are expected to be based on the measures implemented by policy area and beneficiary Member State as a result of support actions provided under the Programme.

4. ALTERNATIVE DELIVERY MECHANISMS AND RISK ASSESSMENT

The Commission examined two options - presented below - in order to achieve the objective and expected results of the Union action set in section 3. The identified options can be referred as the current "Status quo" (which is the baseline scenario) and the introduction of the Structural Reform Support Programme (SRSP).

4.1. Option 1 - "Status quo" (baseline scenario)

In the current situation, the provision of support to Member States from the Union is two-pronged: On the one hand, support is provided under a number of Union financing programmes (open to all Member States) within the Multiannual Financial Framework on specific policy areas. On the other hand, "extensive" technical support (i.e. support tailored-made to the country needs, spanning over several public policy areas and provided in a comprehensive way and with an overall "country" vision) is provided in connection to the implementation of reforms under the economic adjustment programmes for Member States.

4.1.1. Union sectoral support via existing financing programmes under the Multiannual Financial Framework

Certain Union financing programmes provide support to Member States. These programmes foresee the possibility of supporting the Member States in deploying certain public policy actions within specific policy areas. Depending on their objective and area, these programmes are designed to promote the creation of favourable conditions for economic growth and better social and environmental conditions. The support provided under these programmes is characterised by a specific thematic focus and contributes to the achievement of the specific objectives of the relevant programmes.

The efficiency of this type of Union support could be enhanced if it could benefit from a comprehensive and integrated approach englobing a wider spectrum of Union policies coordinated within a single platform and providing, on request, tailor-made technical support on the ground by the Commission and national experts.

4.1.2. Union support in connection with economic adjustment programmes (for Member States receiving Union financial assistance)

"Extensive" support (i.e. support tailored-made to the country needs, spanning over several public policy areas and provided in a comprehensive way and with an overall "country" vision) may take place in relation to the implementation of economic adjustment programmes for Member States that receive financial assistance from the Union. In this case, ad hoc structures were created on a temporary basis in the past (see TFGR and SGCY) and technical assistance was carried out in an environment of crisis. These temporary structures have now been consolidated to form the nucleus for the new Structural Reform Support Service (SRSS), which is mandated to provide support to potentially all 28 Member States.

In the baseline scenario, technical assistance would be provided under the auspices of SRSS with arrangements similar to the previous ad hoc bodies (TFGR and SGCY), notably: a) support would be available mainly to Member States under a financial assistance programme, and b) support would have to comply with the priorities and eligibility rules of the European Structural and Investment Fund (ESIF) Regulation[17].

[17] 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.

This particularly includes supporting "measures aimed to identify, prioritise and implement structural and administrative reforms in response to economic and social challenges in Member States which meet the conditions set out in Article 24(1)" i.e. in programme countries[18].

Therefore, "extensive" support for structural reforms will be available only to a limited number of Member States (i.e. Member States receiving financial assistance from the Union)[19] Even in this case, the achievement and sustainability of reforms and the benefit from support remain uncertain once the assistance linked to the economic adjustment programme ceases.

Unlike the Commission, other International Organisations[20] have been integrating for many years a capacity to support directly their countries of operation with technical assistance in the context of their lending and non-lending activities. Enabling the Commission to assist operationally Member States in addressing structural and institutional weaknesses and ensuring adequate administrative capacity would enhance the progress in the implementation of necessary reforms with a view to sustaining of a macro-economic environment favourable to jobs, growth and investment.

4.2. Option 2 – Structural Reform Support Programme (SRSP)

This policy option draws on the lessons learnt and experience gained via the TFGR and SGCY. It proposes an enhanced approach for technical support provided by the Union to Member States requesting it, taking into account the need to support implementation of in-depth growth-enhancing reforms in the Member States. In this case, the Union would introduce the Structural Reform Support Programme and would allow support to Member States beyond crisis-specific situations. The general objective of the Programme would be contribute to institutional, administrative and structural reforms in the Member States by providing support to national authorities for measures aimed at reforming institutions, governance, administration, economic and social sectors in response to economic and social challenges with a view to enhancing competitiveness, growth, jobs, and investment, in particular in the context of economic governance processes, including through assistance for the efficient and effective use of the Union Funds.

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[18] Article 58(1)(l) of Regulation (EU) No 1303/2013 stipulates: "1. At the initiative of the Commission, the ESI Funds may support the preparatory, monitoring, administrative and technical assistance, evaluation, audit and control measures necessary for implementing this Regulation. […].The measures referred to in the first subparagraph may include in particular: […] (l) measures to identify, prioritize and implement structural and administrative reforms in response to economic and social challenges in Member States which meet the conditions set out in Article 24(1). [i.e. programme countries].

[19] Beyond countries receiving financial assistance from the Union, under the ESIF Regulation technical assistance is only possible for: a) implementing preparatory actions (technical assistance at the initiative of the Commission) and b) in shared management under the direct responsibility of the Member State within the relevant national Operational Programmes and only in order to support technical assistance actions within the goals of the ESIF and relevant Operational Programmes (cf. Article 59 of Regulation (EU) No 1303/2013).

[20] The IMF for example has started developing such support activities in 1999 and in January 2012 it set up the "Institute for Capacity Development" (ICD). While the provision of support still relies on the IMF's dedicated thematic departments, the ICD is in charge of the overall support strategy of the Fund, of the coordination of the assistance of functional departments when necessary, of the evaluation of the support provided and acts as a single entry point to support for its member countries. The delivery of assistance is also supported by regional support centres (eight centres in charge of support in specific geographical areas).

The provision of technical support under this Programme would be organised by the Commission and would be implemented inter alia in cooperation with other Member States, International Organisations and, when necessary, the private sector. Through the SRSP, the Union would be able to provide support to all Member States, upon their request, to:

i. the implementation of reforms in the context of economic governance processes, in particular of relevant Country Specific Recommendations (CSRs) issued in the context of the European Semester or of relevant actions related to the implementation of Union law;

ii. the implementation of economic adjustment programmes for Member States being in receipt of Union financial assistance under the existing instruments;

iii. the implementation of reforms by Member States, undertaken at their own initiative, notably to achieve sustainable investment, growth and job creation.

The decision to provide support to a Member State would have to be taken, based on the principles of transparency, equal treatment and sound financial management, considering urgency, breadth and depth of the problems identified, support needs, analysis of socioeconomic indicators, and general administrative capacity of the Member State. Furthermore, due account would be taken of the existing actions and measures financed by Union funds or other Union programmes. The proposal for this Programme fits in well with the Union policy priorities. The Programme would contribute to: a) strengthening implementation of the CSRs under the European Semester, b) ensuring a consistent and coherent implementation of Union law[21] and c) assisting in the implementation of reforms in Member States undergoing an economic adjustment in connection to a Union financial assistance programme.

The Programme would also allow for the provision of technical support that is vital for the successful implementation of important new elements of the Single Market (including its digital part). For example, the Capital Market Union (CMU) action plan[22] envisages technical support for capital market development. The Programme would provide for the necessary framework and funding for such support.

Bearing in mind the general objective of the Programme, the specific objectives of the Programme would relate directly to the needs identified in section 2. These specific objectives would be:

a) To assist the initiatives of national authorities to design their reforms according to priorities, taking into account initial conditions and expected socio-economic impacts;

[21] For example, the Programme would allow for the provision of technical support that is vital for the successful implementation of important new elements of the Single Market. The Capital Market Union (CMU) action plan envisages technical support for capital market development through the Commission. The SRSP would provide for the necessary funding for such support.

[22] Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions Action Plan on Building a Capital Markets Union, Brussels, 30.9.2015, COM(2015) 468 final.

b) To support the national authorities to enhance their capacity to formulate, develop and implement reform policies and strategies and pursue an integrated approach ensuring consistency between goals and means across sectors;

c) To support the efforts of national authorities to define and implement appropriate processes and methodologies by taking into account good practices and lessons learned by other countries in addressing similar situations;

d) To assist the national authorities to enhance the efficiency and effectiveness of human resources management, where appropriate, through definition of clear responsibilities and increase of professional knowledge and skills;

These objectives would be pursued in close cooperation with beneficiary Member States. In order to achieve these objectives, the operational actions that may have to be undertaken under the SRSP to support reforms - including through assistance for the efficient and effective use of Union funds[23] - would cover a wide spectrum of thematic areas related to competitiveness, growth, jobs and investment and in particular the following policy areas (which therefore identify the scope of the Programme):

a) public financial management, budget process, debt management and revenue administration;

b) institutional reform and efficient and service-oriented functioning of public administration, effective rule of law, reform of the justice system and reinforcement of anti-fraud, anticorruption and anti-money laundering;

c) business environment, private sector development, investment, privatisation processes, trade and foreign direct investment, competition and public procurement, sustainable sectoral development and support for innovation;

d) education and training, labour market policies, social inclusion, social security and social welfare systems, public health and healthcare systems, asylum, migration and borders policies;

e) policies for the agricultural sector and the sustainable development of rural areas; and

f) financial sector policies and access to finance.

All in all, the SRSP would provide for a comprehensive and integrated approach of the support provision to institutional, structural and administrative reforms available to all Member States. It would allow stable and well-structured support to the design and implementation of reforms in order to accelerate them and ensure their quality and sustainability while safeguarding full synergy with other Union policies.

4.2.1. Instrument

The SRSP would require the adoption of legislation in order to provide a legal base, a clear mandate and sufficient financial resources for the actions to be undertaken by the Union to support the design and implementation of structural reforms in potentially all 28 Member

[23] Cf. footnote 3.

States. The proposal would be based on Articles 175 (third paragraph) and 197(2) of the Treaty on the Functioning of the European Union.

A Directive cannot be considered due to the fact that this action is not about harmonisation of legislations or introduction of minimum standards, but about the establishment of a Union financing programme. Further alternatives, such as soft law and/or voluntary actions would not be sufficient for this purpose. Soft law and non-regulatory action (e.g. a Communication of the Commission, or a guidance note), would not allow achieving the objectives as set out in section 4.2.

Therefore, in order to allow best achieving the aforementioned objectives, the second option, namely the establishment of the Structural Reform Support Programme, is the preferred policy choice since it allows providing support in an organised and systematic manner to all Member States.

In accordance with the principle of proportionality, this Programme would not go beyond what is necessary in order to achieve its objectives. The proportionality of this option would be ensured by the fact that the Programme would establish a range of potential areas of support but it would be then up to the Member State to request support and for the Member State and the Commission to define the concrete scope and the resources needed to provide the assistance to that Member State.

4.2.2. Added value

The European added value of introducing the SRSP is presented below:

- Actions under the SRSP would ensure complementarity and synergy with other programmes and policies at national, Union and international level, contribute to further promote mutual trust and further cooperation between beneficiary Member States and the Commission and to ensuring a consistent and coherent implementation of Union law. In addition, actions under this Programme would allow for the development and implementation of solutions that while addressing national challenges have a positive cross-border impact and/or for the Union as a whole. This initiative would contribute to the strengthening of coordination of economic and sectoral policies of Member States and better implementation of Union law.

- Support to the Member States would be provided in a coordinated manner across policy areas. Efforts of national authorities to enhance their capacity to define, develop and implement reform policies and strategies would be pursued within an integrated approach ensuring consistency between goals and means across sectors. In order to allow to best manage the technical assistance requests and achieve consistency and synergy among technical assistance actions, the SRSP would pursue a similar integrated approach as the one followed in the cases of Greece and Cyprus, where technical assistance across sectors was coordinated by the Commission (via the TFGR and SGCY) and at Member State level the work was coordinated by a specific entity (i.e. the SGCO in Greece and the DGEPCD in Cyprus)[24] inside the national administrations.

[24] SGCO: Secretariat General for Coordination; DGEPCD: Directorate General for European Programmes Co-operation and Development.

- Support given to Member States would be enhanced through the use of a platform for sharing and adopting best practices among Member States and International Organisations. The Union is in a better position than any single Member State to identify best practice. This would also ensure efficiency gains in terms of quickly mobilising expertise and sharing best expertise via a pool of experts, who could easily and foremost swiftly be activated to provide support on request by a Member State.

- The Programme would allow for the achievement of economies of scale and scope. Member States often face similar challenges and need to address similar practical problems related to the implementation of reforms. Union action can contribute to avoid duplication of effort, promote cooperation between Member States and coordination with International Organisations.

The proposed Programme intends to add value and complement the already successful results of the existing support measures, by focusing on the aspects of assistance that are more linked to the offering of advice and expertise on the ground, i.e. accompanying (where possible via embedded experts) the national authorities of the requesting Member States throughout the reform process or according to defined stages or to different phases of the reform process. This would be based on the most pressing country needs, as mutually agreed between the Commission and the Member State concerned. It is worth noting that the support provided within the SRSP would continuously be adapted to the needs and challenges faced by the Member States on the ground (support by the SRSP could be reflected in the analogy of "training in a course" vs "training on the job", with SRSP providing the latter case).

The following box provides for some examples of reforms which received technical assistance by the TFGR and SGCY. Similar support could, on request, be provided to other Member States carrying out reforms and related processes. Ultimately, the box illustrates the type of results stemming from technical support that SRSP would provide in the future to other Member States.

Examples of high-impact reforms which have been supported by technical assistance:

Governance and public administration

- Absorption of EU Structural and Cohesion Funds: Greece moved from 18th (in 2011) to 5th place out of all Member States (by the Commission's services)[1]
- Reform of Cypriot personal and corporate insolvency legislation (with IMF and European Central Bank; IE)
- Creation of a Secretariat-General for Coordination in Greece (with FR)

Growth-supporting reforms

- Removing barriers to competition for some sectors in Greece (with OECD)
- Support to develop an Action Plan for Better Regulation, a fast-track mechanism for strategic investment, and develop a policy for entrepreneurship in Cyprus (with UK; private sector)
- Cypriot strategy for energy sector, including aspects of market regulation and market organisation (with AT; IT; Joint Research Centre – European Commission)

Financial sector and access to finance

- Creation of the Institution for Growth in Greece (with DE KfW)
- Establishment of a unified supervisor of insurance companies and occupational pension funds in Cyprus (with European Insurance and Occupational Pensions Authority; ES)

Revenue administration and Public Financial Management

- Establishment of an integrated domestic tax department in Cyprus (with IMF; BG; NL)
- Creation of semi-autonomous tax administration in Greece (with IMF)

Labour market, health and social services

- "Health in action" reform road map in Greece (with World Health Organization; DE; SE)
- Assistance for the introduction of a Guaranteed Minimum Income in Cyprus (GMI) (with private sector)

[1] In brackets are included the entity, i.e. Member State, International Organisation etc., which provided intensive TA in this area of reform.

As a result of the support provided within the SRSP, the Commission would gain a better overview and would be in a better position to follow the actual implementation of policies and reforms in the Member States. Therefore, the Commission would have a better opportunity to verify in detail whether the pursued policy objectives are indeed achieved and assess in more detail and at an earlier stage how adopted legislation and reforms are being implemented on the ground. This would in turn also benefit Member States insofar as they could take advantage of a better knowledge and experience by the Commission in receiving timely and country-specific support to effectively select the best instruments to meet their policy objectives and translate them into realistic reform plans. In this fashion, operational support would strengthen the relationship between the Commission and the Member States, and position the former not only as a policy and surveillance institution (including the role of launching infringement procedures and decide on fines), but also increasingly as a partner

providing operational and technical support to the Member States towards achieving growth and jobs. The Programme would underpin a "collaborative" aspect in the effective implementation of Union law and policy by Member States and the Union: this is also because the implementation of a particular policy/reform in a certain country can strongly benefit from (and cross-fertilize in return) the experience of one or similar other countries that have implemented similar policy/reforms[25].

4.2.3. Potential risks

There might be a risk regarding the actual implementation of reforms by Member States, receiving from technical support financed via the SRSP. Taking into account the division of competences between Member States and the Union, the implementation of the reforms is the responsibility of the Member States, whereas the Commission would be available to advise/assist the national authorities where requested. While the responsibility of reform implementation lays on the Member States, the Commission in close cooperation with the beneficiary Member States would follow-up the reform progress in order to mitigate the risk of the non-implementation of reforms receiving support by the SRSP. In this respect, the Programme also foresees monitoring and evaluation processes via specific indicators for the achievement of the specific Programme objectives.

Regarding concerns related to the potential overlap of the Programme with an existing Union programme or substitution of national initiatives by a Union-level measure, the Commission and the Member States concerned, within their respective responsibilities, should ensure consistency, complementarity and synergy between sources of funding supporting actions, specifically with measures being financed from the Union funds or other Union programmes in the Member States.

Additionally, the Commission would ensure the necessary coordination at the Union level to ensure consistency and avoid duplication at the programming and implementation stages, between actions supported by this Programme and the measures carried out under other Union programmes. This would occur through the process leading to the adoption of the Work Programme(s). The Commission would ensure that the actions proposed to be implemented in the Work Programme(s) of the SRSP are indeed complementary to and do not overlap with those of other Union programmes and funds (including the Union funds, in particular the ESIF). In particular, the Commission will strengthen coordination within the internal working arrangements, with the creation of a coordination mechanism involving representatives of the services mostly concerned, so as to ensure that the support provided under Union programmes and funds is consistent and avoids duplication. In this respect, the decision to provide support to a Member State, would inter alia take into account the existing actions and measures financed by Union funds or other Union programmes.

Additional risks may apply with regard to the quality and poor implementation of selected projects which may reduce the expected programme's positive impact. Furthermore, risks may appear due to inadequate selection procedures, lack of expertise or insufficient monitoring. In order to mitigate these concerns, the Commission will apply the standard evaluation Commission procedures ensuring that corrective measures are timely taken.

[25] Phedeon Nicolaides (2013) "Administrative Capacity for Effective Implementation of EU law".

As a spending Programme, the SRSP bears the risks of inefficient or non-economic use of funds awarded. These include the risk of incorrectly declared costs; the risk of undetected errors or uncorrected imprecisions in tenders or tender specifications; risks referring to contractual compliance, process and performance compliance. With regard to support provided through International Organisations and Member States' national agencies, the framework agreements in force will provide a stable legal framework, which contains ex-ante and ex-post monitoring and assessment system compliant with the Financial Regulation obligations.

Finally, there is a reputational risk for the Commission, if fraud or criminal activities are discovered. The risk of fraud in the management of specific expense will be mitigated by different measures that will be put in place for the programme to prevent fraud and irregularities. Also, in line with the Commission Anti-fraud strategy covering the whole expenditure cycle, specific anti-fraud actions for these expenses will be undertaken in the implementation, having regard to the proportionality and cost benefit of the measures to be implemented. This action will be based on prevention, effective checks and appropriate response if fraud or irregularities are detected, consisting in the recovery of amounts wrongly paid and where appropriate, by effective, proportionate and deterrent penalties. The anti-fraud action will describe the system of ex ante and ex post checks based on a system of red flags, and specify the procedures to be followed by staff when fraud or irregularities are detected. It shall also provide information on the working arrangements with OLAF.

5. PLANNING OF FUTURE MONITORING AND EVALUATION

The monitoring and evaluation of the Programme will be undertaken in line with the standard Commission procedures. The achievement of the specific objectives of the Programme will be monitored and evaluated according to a number of indicators linked to the activities of technical support. This will include: the number and type of national authorities which received support, the number and type of support providers, the number and type of eligible actions performed (such as the provision of experts, training actions, seminars etc.), the number and type of policy and legal arrangements, the number of policy initiatives adopted (e.g. action plans, roadmaps, guidelines, recommendations, legislation recommended), the number of measures implemented by policy area and beneficiary Member State as a result of support actions.

Feedback from the national authorities in receipt of support as well as the feedback from other support providers on the impact and/or results of the support by specific objective and policy area and beneficiary Member State will serve as qualitative indication of the expected results. Furthermore, the evolution of the view of relevant stakeholders regarding the contribution of the Programme to the achievement of the reforms will be sought. Appropriate quantitative or empirical data will also be used for evaluation purposes as available.

These indicators could be used according to data and information available and could be adjusted in the course of the Programme by the Commission, where relevant, on the basis of a delegated power (as proposed in the SRSP Regulation).

In addition, the SRSP would be subject to an interim evaluation by mid of 2019 and to an ex-post evaluation by the end of 2021. The interim evaluation would provide assessment of the achievement of the Programme's objectives, the efficiency of the use of resources and the Programme’s European added value and assessment on whether funding in areas covered by the Programme needs to be adapted or extended after 2020. Furthermore, it will address the

continued relevance of all objectives and actions. The ex-post evaluation would examine the longer-term impact of the Programme. The evaluations will also take into account the views of all relevant stakeholders, at both Community and national level.

All beneficiaries and other parties involved who would receive Union funds under this Programme would provide the Commission with the appropriate data and information necessary to permit the monitoring and evaluation of the measures concerned.

6. HELPING TO ACHIEVE EFFECTIVENESS AND COST EFFICIENCY

Whilst effectiveness is defined as the ability of SRSP to reach the defined objectives, and thus address the defined problem, efficiency takes into account if SRSP responds to the identified problem at the least possible cost.

Effectiveness

First and foremost, the establishment of a dedicated Programme with secure and uninterrupted financing would allow continuous provision of support and appropriate planning of support actions.

Additional elements which underpin the effectiveness on SRSP are: (i) institutional knowledge and skills are built within national administrations, which impacts positively on the implementation and design of reforms; (ii) the mobilisation of expertise for support is faster and can be readily available when requested; and (iii) the cost is covered by specific budget, thus limiting the time for long administrative arrangements.

Cost efficiency

The Commission will strongly strive to achieve synergy with other Union policies and instruments used to support the implementation of the relevant measures.

In the case of some Member States, the assistance provided by the SRSP would be leveraged by the assistance and resources provided by other International Organisations, with which it would be closely coordinated.

The Programme would help to establish and sustain inside Member States the appropriate institutional and administrative structures able to carry out growth-enhancing reforms conducive to setting economic recovery on a sustainable path, unlocking their economy's growth potential, and supporting the process of convergence. The cost for providing support via the SRSP would be relatively low against the expected scale of support actions and expected results.

Also in the long term, SRSP would enable the development of appropriate technical expertise within the Commission and thus reduce reliance of the Commission and the Member States on other International Organisations for technical assistance.

The budget proposed for the SRSP would be up to EUR 142 800 000 (current prices) over the period 2017-2020 and has been proposed taking into account:

- The extensive operational experience, type of actions and projects of support and implementing modes applied on the ground by the TFGR and SGCY, i.e. scoping reports,

Roadmaps and Action plans, training, expertise on the ground, large implementation projects, etc.; and

- The analysis of potential reform needs for some Member States in the context of economic governance processes, in particular as resulting from the Country Specific Recommendations (CSRs).

The planning of actions to be implemented follows a gradual roll-out of support to EU Member States, starting in 2017 from 2-3 Member States, and then expanding the support to other Member States and broadening the scope of assistance. The estimate is then distributed across each specific objective as detailed in the Financial Legislative Fiche, with the following profile (in commitment appropriations expressed in EUR million):

Year **2017**[26]	Year **2018**	Year **2019**	Year **2020**	**TOTAL**
23.625	**32.025**	**40.425**	**46.725**	**142.800**

The volume of appropriations for human resources and other administrative expenditure to be allocated is estimated based on the previous experience of the Commission services performing similar activities in particular related with the TFGR and SGCY, together with the assessment of the management, planning, coordination and evaluation tasks that the programme shall ensure in the SPP/ABM (strategic planning and programming and activity-based management) cycles.

The appropriations required for human resources and other expenditure of an administrative nature will be met by appropriations to be redeployed, together if necessary with any additional allocation which may be granted to the managing Commission's services under the annual allocation procedure and in the light of budgetary constraints.

Overall, the Programme could bring along a very positive effect compared to its cost. As indicated above (see section 2), the implementation of structural reforms can have important positive welfare effects. Therefore, with a relatively modest budget of up to EUR 142 800 000 (current prices) to support growth-enhancing reforms, the Programme could have a considerable positive impact on increasing economic and societal welfare in the Member States requesting such assistance and the Union as a whole.

Of course the ultimate impact of the reforms supported by the Programme is subject to Member States' request for support and to the extent they assume ownership and adhere to reform implementation.

[26] Year N is the year in which implementation of the proposal/initiative starts.