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PROPOSAL

From: Secretary-General of the European Commission,
signed by Mr Jordi AYET PUIGARNAU, Director

date of receipt: 26 November 2015

To: Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of
the European Union

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Subject: 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

Delegations will find attached document COM(2015) 701 final.

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2015/0263 (COD)

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**

{SWD(2015) 750 final}

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

- **Reasons for and objectives of the proposal**

The creation of a sound regulatory and institutional environment and a smoothly-functioning economy are essential for making gains in competitiveness, encouraging investment, fostering employment creation, raising living standards and producing sustainable growth across Union Member States. Many economies in the Union have been undergoing and continue to undergo adjustment processes to correct macroeconomic imbalances accumulated in the past and many are facing the challenge of low potential growth. This situation is often a result of delayed or insufficient structural reforms in the respective economies. The Union has identified the implementation of structural reforms among its policy priorities to set the recovery on a sustainable path, unlock the growth potential to strengthen the adjustment capacity, and support the process of convergence.

Reforms must be well-designed, legislated and effectively implemented. Successful reforms require more than just passing the necessary legislation – they require effective implementation which implies addressing the structural problems of the public administrations (e.g. competences, mobility, incentives, changes to work processes, etc.), and the challenges in the economic and societal domains. The benefits of the reforms may take some time to materialise. Therefore, early and efficient implementation is crucial, be it for crisis-struck or structurally-weak economies.

Provision of technical assistance (TA) has been crucial in supporting the economic adjustment of Cyprus and Greece (via the Support Group for Cyprus – SGCY and the Task Force for Greece – TFGR). Past experience with providing technical assistance (TA) to Cyprus and Greece, in areas covering almost the whole spectrum of public policy fields provides useful lessons for the future in relation to the roll-out of technical support to potentially all Member States¹.

Against this background, the intention is to provide for an extension – under the auspices of the Structural Reform Support Service (SRSS) – of technical support to all Member States requesting this. Indeed, Member States may benefit from support in addressing challenges as regards the design and implementation of institutional, structural and administrative reforms. This may relate to factors, such as limited administrative and institutional capacity, and inadequate application and implementation of Union legislation.

In addition, improving the implementation of the Union acquis is one of the priorities of the Commission². In this respect, the Commission indicated that it needs to "(c)operate with

¹ The wording "Member State" includes its national authorities.

² 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.

In this Communication, the Commission indicated that it needs to "[c]ooperate with Member States in examining the best ways to ensure compliance with EU law at national level...", and (c)ontinue to carefully monitor that EU Directives are transposed in a clear, correct and timely manner and that EU rules are

Member States in examining the best ways to ensure compliance with EU law at national level".

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

Against this background, it is necessary to establish a Structural Reform Support Programme with the objective of strengthening the overall capacity of Member States to prepare and implement growth-enhancing institutional, structural and administrative reforms, including through assistance for the efficient and effective use of Union funds³, to the extent that these Member States request support from the Union for this purpose.

Support under this Programme will be provided by the Commission upon request by a Member State and be available in support of (i) the implementation of reforms in the context of economic governance processes, in particular of the Country Specific Recommendations (CSRs) issued in the context of the European Semester, and/or other actions related to the implementation of Union law, (ii) the reforms associated with the implementation of economic adjustment programmes for Member States receiving Union financial assistance and (iii) the reforms that Member States undertake at their own initiative in order to achieve sustainable investment, growth and job creation.

The support to reforms – including through assistance for the efficient and effective use of Union funds (i.e. the European Structural and Investment Funds, ESI funds, as defined in the Common Provision Regulation⁴, the Fund for the European Aid to the Most Deprived, FEAD⁵, as well as the funds related to asylum, migration and border control⁶) - will relate to specific policy areas, in particular relate to public financial management, budget process, debt management and revenue administration, 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, business environment, private sector development, access to finance, investment, financial sector policies, privatisation processes, trade and foreign direct investment, competition, public

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."

³ The wording "Union funds" refers 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).

⁴ 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.

⁵ 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.

⁶ 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.

procurement, sustainable sectoral development and support for innovation, education and training, labour market policies, social inclusion, social security and social welfare systems, public health and healthcare systems, asylum, migration and border policies, and policies for the agricultural sector and the sustainable development of rural areas.

- **Consistency with existing policy provisions in the policy area**

The Programme would be complementary to existing resources for capacity building and technical assistance available within other Union financing programmes under the Multi-annual Financial Framework and with technical assistance and other actions financed by Union funds.

Indeed, several Union programmes foresee the possibility of providing technical assistance to the Member States in deploying certain public policy actions within specific areas. Depending on their specific objective and field, they are designed to promote the creation of favourable conditions for economic growth, social and environmental protection and improvement. 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 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 this process. This would be based on the most pressing country needs, as mutually agreed between the Commission and the Member State concerned.

In this fashion, the efficiency of the Union support would be enhanced if it could benefit from a comprehensive 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 Commission and national experts. This complementary support would have the following distinct features: a) the capacity to provide technical and financial support to all Member States in respect of wide-ranging public policy reforms within a single platform, and b) the possibility to mobilise physical presence on the ground on a stable basis, whenever required and with the agreement of the Member State concerned.

This is in line with the practice of some International Organisations, such as International Financial Institutions, which have been integrating for many years a capacity to support their countries of operation with technical assistance in the context of their lending and non-lending activities.

The proposed Programme will introduce a more horizontal perspective to technical support. The support provided under the Programme would be cross-cutting in terms of the specific areas covered, while focussing on the most pressing reform needs of the country concerned as identified in the process of macroeconomic surveillance, or as emerging from gaps/inefficiencies in the implementation of the Union acquis. The Programme would add value to the support provided by the various sectoral Union programmes and the actions carried out under the Union funds, since it would offer a macro country-specific perspective while supporting the most important structural reforms in Member States in line with the key policy objectives of the Union. In particular, the added value of the actions under this

Programme in respect of other Union instruments will be ensured bearing in mind that the decision to provide support to a requesting Member State will duly take into account the existing actions and measures financed by Union funds or other Union programmes in the Member State concerned.

The Commission and the Beneficiary Member States, within their respective responsibilities, shall foster synergies and ensure effective coordination between the Programme and other Union programmes and instruments, and in particular with the measures financed by Union funds. They shall take appropriate steps 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.

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.

- **Consistency with other Union policies**

The Europe 2020⁷ strategy aims to create the conditions for smart, sustainable and inclusive growth in all Member States. Economic growth is essential for reducing unemployment, improving social cohesion and raising living standards. The Union has identified the implementation of structural reforms among its policy priorities to set the recovery on a sustainable path, unlock the growth potential to strengthen the adjustment capacity, and support the process of convergence.

The reform process is complex, often costly, requires expertise on different areas simultaneously and may have a cross-border impact. Union support would contribute to enhancing the ability to undertake in-depth growth-enhancing reforms across Member States impacting throughout the Union as a whole.

The Programme, to be implemented in close cooperation with the national authorities concerned, would actively contribute to strengthening the administrative capacity in these Member States to reform institutions, administration, economic and societal sectors with a view to achieving simplified, efficient and modern structures at the service of citizens and businesses.

Finally, 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 (including its digital part). For example, the Capital Market Union (CMU) action plan⁸ envisages technical support for capital market development. The Programme would provide for the necessary framework and funding for such support.

⁷ Communication from the Commission EUROPE 2020 A strategy for smart, sustainable and inclusive growth, Brussels, 3.3.2010, COM(2010) 2020 final.

⁸ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions Action Plan Building a Capital Markets Union, Brussels, 30.9.2015, COM(2015) 468 final.

2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY

- **Legal basis**

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

Article 175 (third paragraph) TFEU provides that if specific actions prove necessary outside the Funds and without prejudice to the measures decided upon within the framework of the other Union policies, such actions may be adopted by the European Parliament and the Council acting in accordance with the ordinary legislative procedure and after consulting the Economic and Social Committee and the Committee of Regions.

Article 197(2) TFEU provides, that the Union may support the efforts of Member States to improve their administrative capacity to implement Union law, inter alia through facilitating the exchange of information and supporting training schemes. No Member State shall be obliged to avail itself of such support. The European Parliament and the Council, acting under the ordinary legislative procedure are to establish the necessary measures to this end, excluding any harmonisation of the laws and regulations of the Member States.

The combination of Articles 175 (third paragraph) and 197(2) allows for a comprehensive approach in devising a Union programme supporting the capacity and endeavours of the national authorities of Member States to carry out and implement growth-enhancing reforms (institutional – including governance aspects – structural and/or administrative reforms) to foster sustainable development and innovation and, in this context, to make more efficient and effective use of Union funds.

At the same time, Article 121 provides that the coordination of the economic policies of the Member States is a matter of common concern.

In view of Articles 175 and 197, this Programme can decisively contribute to: i) strengthening the administrative capacity of Member States in respect of the effective implementation of Union law through administrative cooperation among national authorities of the Member States, and ii) strengthening economic, social and territorial cohesion within the Union, outside of the actions undertaken with the ESI funds; this coordinated action would ultimately contribute to iii) the attainment of a better coordination of economic policies of Member States.

- **Subsidiarity (for non-exclusive competence)**

The funding of the proposed activities through the envisaged Programme respects the principles of European added value and of subsidiarity. Funding from the Union budget concentrates on activities whose objectives cannot be sufficiently achieved by the Member States alone ('necessity test'), and where the Union intervention can bring additional value compared to action of Member States alone.

The Union is in a better position than Member States to identify, mobilise and coordinate the best available expertise (be it from inside the European institutions services and from other countries, or international organisations), foster the exchange of best practices (as well as

ensure its consistent dissemination across the Union) in support of the implementation of targeted growth-enhancing reforms in the Member States.

Moreover, the mobilisation of expertise by the Union would also be more effective as it would bring-along economies of scale and scope by building a Union-wide platform for the provision and sharing of good practices.

In this respect, the actions to be implemented should accompany the efforts of the Member States, and be complementary with other programmes and policies at national, Union and international level; this would materialise mostly by providing support actions that would accompany on the ground (where possible via embedded experts) the reform endeavours of the national authorities along the different stages or phases of the reform process, notably targeting interventions that are not already the object of the support measures under other Union programmes of Union funds, or of national initiatives.

In particular, the actions under the Programme would have to allow the development and implementation of solutions that, while addressing national challenges, have potentially impacts on cross-border and Union levels, and contribute to share good practices and help build a network of available expertise. Ultimately, the actions under the Programme would contribute to further promote mutual trust between the beneficiary Member States and the Commission.

The proposed Programme is the most suitable means of supporting on the ground those Member States that implement growth-enhancing reforms, since the Union is in a better position than Member States to identify, mobilise and coordinate the best available expertise and to provide a coordinated approach to technical support in Member States requesting assistance.

- **Proportionality**

The proposal complies with the proportionality principle in that it does not go beyond the minimum required in order to achieve the stated objective at European level and what is necessary for that purpose. The assistance to be provided to the Member State is to be based on a request for support stemming from the Member State itself. The scope of the support would be mutually agreed between the Commission and the Member State concerned.

3. RESULTS OF THE EVALUATION OF THE TFGR ACTIVITY, EX ANTE EVALUATION OF THE PROPOSED PROGRAMME

- **Evaluation of the Task Force for Greece (TFGR)**

The technical support that the Commission services (coordinated by "Task Force for Greece") provided to Greece with a view to supporting the implementation of the economic adjustment programme was subject to an evaluation carried out by an independent consultancy in July

2014⁹. This evaluation assessed the technical assistance provided to national authorities in two key areas, i.e. tax administration and central administration reform, based on more than forty interviews, conducted 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.

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 of tax administration and central administration 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, who indicated that, in the absence of technical assistance delivered by the TFGR, the reforms undertaken would not have materialised.

Concerning the future of technical support, 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.*"

Against this background, the proposed Programme would allow enhancing the provision of technical support and would be aimed to allow the Union to concretely cooperate with and provide on the ground technical support to the endeavours of national authorities of Member States in devising and implementing growth-enhancing structural reforms, beyond countries receiving Union financial assistance and under an economic adjustment programme.

- **Ex-ante evaluation of the Structural Reform Support Programme (SRSP)**

An ex-ante evaluation of the proposed Programme has been conducted by the Commission services in the second semester of 2015¹⁰.

The ex-ante evaluation supports the Commission proposal for a Regulation of the European Parliament and of the Council establishing for the period 2017 to 2020, the Structural Reform Support Programme (SRSP). The ex-ante evaluation addresses the requirements of Article 30 (4) of the Regulation (EU, Euratom) No 966/2012 (Financial Regulation on the implementation of the Union budget).

⁹ 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 & Marsal Taxand and Adam Smith International for the European Commission. http://ec.europa.eu/about/taskforce-greece/pdf/tfgr/evaluation_report_alvarez_july_2014_en.pdf

¹⁰ Commission Staff Working Document Ex-ante Evaluation accompanying the document Proposal for a 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, Brussels, XXX, COM(2015) XXX final.

- **Collection and use of expertise**

An evaluation of technical assistance provided by the TFGR in the areas of tax administration and central administration reform was used as external expertise input to support this proposal. Also, feedback received from Member States involved in the provision of technical assistance to Greece and Cyprus in the past has been taken into account.

- **Assessment of policy options**

The Commission has examined two policy options in the ex-ante evaluation which is accompanying this proposal: a baseline option that foresees no change in the status quo, and a second option where a dedicated funding Programme is introduced.

Under the baseline option, technical support would continue to be provided: a) through a number of Union financing programmes (open to all Member States) within the Multiannual Financial Framework on specific policy areas; and b) through the "extensive" technical support (i.e. support tailored-made to the country needs, spanning several public policy areas and provided in a comprehensive way and with an overall "country" vision) linked to the implementation of reforms under an economic adjustment programme for Member States receiving Union financial assistance (this is currently the case for Greece and Cyprus).

Such support would be provided under the objectives of the relevant Union programme and - as regards the "extensive" technical support - under the goals of specific provision of Regulation (EU) No 1303/2013 for Member States in financial difficulties¹¹.

Under the second policy option, a dedicated funding programme, the Structural Reform Support Programme, is introduced and technical support is provided, on request from Member States, to assist potentially all Member States in order to support the implementation of growth-enhancing reforms in the context of economic governance processes, in particular as stemming from Country Specific Recommendations, from actions associated with the implementation of Union law, as well as to assist Member States with the implementation of reforms undertaken at their own initiative, notably to achieve sustainable investment, growth and job creation. The Programme would also allow continuing to provide assistance to Member States receiving Union financial assistance subject to an economic adjustment programme.

Based on the ex-ante evaluation, the second scenario is the preferred policy choice since it allows providing support in an organised and systematic manner to all Member States.

- **Regulatory fitness and simplification**

The proposal is not linked to the Regulatory fitness and simplification exercise and does not have any costs of compliance for SMEs or any other stakeholders

- **Fundamental rights**

The proposal could have a positive effect in the preservation and development of Union fundamental rights, assuming that the Member States request and receive technical assistance in related areas. For example, technical assistance support in areas such as migration, labour

¹¹ Cf. Article 58(1)(l) of Regulation (EU) No 1303/2013.

market and social insurance, healthcare, education, the environment, property, public administration and the judicial system can support Union fundamental rights such as dignity, freedom, equality, solidarity, citizens' rights and justice.

4. BUDGETARY IMPLICATIONS

The financial envelope for the implementation of the SRSP for the period 1 January 2017 to 31 December 2020 shall be up to EUR 142 800 000 (current prices) for a period of 4 years. The legislative financial statement provides the appropriate explanations.

5. OTHER ELEMENTS

- **Implementation plans and monitoring, evaluation and reporting arrangements**

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 support¹². This will include: 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 of policy initiatives (such as action plans, road maps, guidelines, recommendations, legislation recommended/or adopted). This quantitative information will be collected in relation to CSRs, actions related to the implementation of Union law, economic adjustment programmes, or reforms of a Member State on its own initiative. Indicators on expected results will stem from the relevant measures taken by the beneficiary Member States as a result of support actions provided under the Programme; this information will also be split by CSR, actions related to the implementation of Union law, economic adjustment programmes, or reforms undertaken by Member States on their own initiative. In addition, feedback from the national authorities in receipt of support as well as feedback from other support providers on the impact and/or results of the support per policy domain and Member State concerned will serve as qualitative indication of the expected results. Furthermore, a key indicator will also be the evolution of the views of relevant stakeholders on the contribution of the Programme to the achievement of the reforms. Appropriate quantitative or empirical data will also be used for evaluation purposes as available.

The above 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 to be conferred to the Commission.

- **Detailed explanation of the specific provisions of the proposal**

The general objective of the Programme is to contribute to reforms in the Member States by providing support to national authorities for measures aimed at reforming institutions, governance, administration, economic and societal sectors in response to economic and social

¹² See Annex to the legislative proposal.

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 (Article 4).

The specific objectives of the Programme will be to support the initiatives of national authorities to design their reforms according to priorities, 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, to support their efforts to define and implement appropriate processes and methodologies, and to assist them to enhance the efficiency and effectiveness of human resources management. The above mentioned support will relate to specific policy areas, such as public financial management, budget process, debt management and revenue administration, 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, business environment, private sector development, access to finance, investment, financial sector policies, privatisation processes, trade and foreign direct investment, competition, public procurement, sustainable sectoral development and support for innovation, education and training, labour market policies, social inclusion, social security and social welfare systems, public health and healthcare systems, asylum, migration and borders policies and policies for the agricultural sector and the sustainable development of rural areas (Article 5).

The type of actions financed under the Programme will include, among others, seminars, conferences and workshops, working visits, studies, research, analyses and surveys, evaluations and impact assessments, project preparation, implementation and appraisal, IT capacity building, expertise related to policy advice, policy change, legislative, institutional, structural and/or administrative reforms and provision of (resident) experts, organisation of operational support on the ground in areas such as asylum, migration, border control (Article 6). These actions may relate to the different stages of the reform process.

The Commission and the Member States concerned will ensure consistency, complementarity and synergy between actions implemented under this Programme with those implemented under other Union instruments in the Member State concerned, in particular with measures financed by Union funds (Article 13); double funding of the same expenditure will be avoided (Article 11).

A request for support under this Programme shall be made by a Member State wishing to receive such support. The request may be made within the dialogue of the European Semester, in any case by 31 October of the calendar year. The request for support may relate to three circumstances: (a) the implementation of reforms in the context of economic governance processes, in particular of relevant Country Specific Recommendations issued in the context of the European Semester or implementation of other actions related to the Union law (b) the implementation of reforms associated with economic adjustment programmes for Member States receiving Union financial assistance under the existing instruments and (c) the implementation of reforms undertaken by Member States at their initiative, notably to achieve sustainable investment, growth and job creation.

Taking into account the principles of transparency, equal treatment and sound financial management, the Commission will analyse the request for support by the Member State, based on the urgency, breadth and depth of the problems identified, support needs per policy areas, analysis of socioeconomic indicators and general administrative capacity of the

Member State. On the basis of this, and taking into account the existing actions and measures financed by Union funds or other Union programmes, the Commission in close cooperation with the Member State concerned will identify the priority areas and scope of the support, to be provided and the global financial contribution.

In implementing this Regulation the Commission will establish multi-annual work programmes that will set out the policy objectives pursued through the envisaged support and the expected results as well as funding priorities in the relevant policy areas. The multi-annual work programmes will be further detailed in annual work programmes for implementation by way of implementing decisions (Article 12).

The dedicated financial envelope for the implementation of the Programme shall be up to EUR 142 800 000 (Article 9). This will be deduced from the technical assistance resources at the initiative of the Commission under Regulation (EU) No 1303/2013 and Regulation (EU) 1305/2013 and appropriately allocated for use within the scope and purpose of the Programme. For this purpose, it is proposed to amend Article 91(3) of Regulation (EU) No 1303/2013 and Article 51(1) of Regulation (EU) 1305/2013 (Articles 17, 18).

In addition, the Programme may receive additional financial resources also through voluntary allocations from the technical assistance financial resources at the initiative of the Member States. To that end, it is proposed to amend Article 25 of Regulation (EU) No 1303/2013, in order to allow all Member States (and not only Member States under temporary financial difficulties, as currently is the case) to contribute to the financial envelope of the Programme, by transferring part of the technical assistance resources at the initiative of the Member State available under Article 59 of Regulation (EU) No 1303/2013 (Article 17). These additional financial resources may be used to support actions which contribute to delivering the Union strategy for smart, sustainable and inclusive growth exclusively in beneficiary Member States (Article 10).

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

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular the third paragraph of Article 175 and Article 197(2) thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national Parliaments,

Having regard to the opinion of the European Economic and Social Committee,

Having regard to the opinion of the Committee of Regions,

Acting in accordance with the ordinary legislative procedure,

Whereas:

- (1) In accordance with Article 9 of the Treaty on the Functioning of the European Union, in defining and implementing its policies and activities, the Union shall take into account requirements linked to the promotion of a high level of employment, the guarantee of adequate social protection, the fight against social exclusion, and a high level of education, training and protection of human health. In addition, as set out in Article 11 of the Treaty on the Functioning of the European Union, environmental protection requirements must be integrated in the Union policies with a view to promoting sustainable development.
- (2) Articles 120 and 121 of the Treaty on the Functioning of the European Union provide that Member States shall conduct their economic policies with a view to contributing to the achievement of the objectives of the Union and in the context of the broad guidelines that the Council shall formulate. Thereby, the coordination of the economic policies of the Member States is a matter of common concern.
- (3) Several Member States have been undergoing and continue to undergo adjustment processes to correct macroeconomic imbalances accumulated in the past and many are facing the challenge of low potential growth. The Union has identified the implementation of structural reforms among its policy priorities to set the recovery on a sustainable path, unlock the growth potential to strengthen the adjustment capacity, and support the process of convergence.

- (4) Reforms are by their very nature complex processes that require a complete chain of highly-specialised knowledge and skills. Addressing structural reforms in a variety of public policy areas is challenging since their benefits often take time to materialise. Therefore, early and efficient design and implementation is crucial, be it for crisis-struck or structurally-weak economies. In this context, the provision of support by the Union in the form of technical assistance has been crucial in supporting the economic adjustment of Greece and Cyprus in the last years.
- (5) Member States may benefit from support in addressing challenges as regards the design and implementation of structural reforms. These challenges may be dependent on various factors, including limited administrative and institutional capacity or inadequate application and implementation of Union legislation.
- (6) The Union has a long-lasting experience on providing specific support to national administrations and other authorities of Member States as regards capacity building and similar actions in certain sectors (e.g. taxation, customs, support to small and medium-sized enterprises) and in relation to the implementation of cohesion policy. The experience gained by the Union in assisting national authorities carrying out reforms should be used in order to enhance the capacity of the Union to provide support to Member States. Comprehensive and integrated action is indeed necessary in order to provide support to those Member States that are undertaking growth-enhancing reforms and request assistance from the Union in this respect.
- (7) Against this background, it is necessary to establish a Structural Reform Support Programme ('the Programme') with the objective of strengthening the capacity of Member States to prepare and implement growth-enhancing administrative and structural reforms, including through assistance for the efficient and effective use of the Union funds. The Programme is intended to contribute to the achievement of common goals towards obtaining economic recovery, job creation, boosting Europe's competitiveness and stimulating investment in the real economy.
- (8) Support under the Programme should be provided by the Commission upon request by a Member State, in areas such as budget and taxation, public function, institutional and administrative reforms, the justice system, anti-fraud, anti-corruption and anti-money laundering, business environment, private sector development, investment, competition, public procurement, privatization processes, access to finance, investment, trade, sustainable development, innovation, education and training, labour policies, public health, asylum, migration policies, agriculture and rural development and financial sector policies.
- (9) Member States should be able to request support from the Commission under the Programme in relation to the implementation of reforms in the context of economic governance processes, in particular of Country Specific Recommendations in the context of the European Semester, to actions related to the implementation of Union law, as well as in relation to the implementation of economic adjustment programmes. They should also be able to request support in relation to reforms undertaken at their own initiative, in order to achieve sustainable investment, growth and job creation.
- (10) Further to a dialogue with the requesting Member State, including in the context of the European Semester, the Commission should analyse the request, taking into account the principles of transparency, equal treatment and sound financial management and

determine the support to be provided based on urgency, breadth and depth of the problems as identified, support needs in respect of the policy areas envisaged, analysis of socioeconomic indicators, and the general administrative capacity of the Member State. The Commission should also, in close cooperation with the Member State concerned, identify the priority areas, the scope of the support measures to be provided and the global financial contribution for such support, taking into account the existing actions and measures financed by Union funds or other Union programmes.

- (11) The Commission Communications ‘The EU Budget Review’¹³ and ‘A budget for Europe 2020’¹⁴ underline the importance of focusing funding on activities with clear European added value, i.e. where the Union intervention can bring additional value compared to action of Member States alone. Against this background, the support actions carried out under the Programme should ensure complementarity and synergy with other programmes and policies at national, Union and international level. The actions under the Programme should allow elaborating and implementing solutions that address national challenges which have impact on cross-border or Union-wide challenges and achieve a consistent and coherent implementation of Union law. In addition, they should contribute to further develop trust and promote cooperation with the Commission and among Member States. Moreover, the Union is in a better position than Member States to provide a platform for the provision and sharing of good practices from peers as well as to mobilise expertise.
- (12) It is necessary to establish a financial envelope for the Programme to cover a period of four years to align its duration with that of the multiannual financial framework laid down in Council Regulation (EU, Euratom) No 1311/2013¹⁵.
- (13) The financial envelope of the Programme should consist of financial resources deducted from allocations for technical assistance at the initiative of the Commission under Regulation (EU) No 1303/2013 of the European Parliament and of the Council¹⁶ and Regulation (EU) No 1305/2013 of the European Parliament and of the Council¹⁷. In order to allow such deduction, it is necessary to amend those Regulations.
- (14) Member States that request support should be able to contribute to the financial envelope of the Programme with additional funds. Currently, Regulation (EU) No 1303/2013 limits the possibility of a transfer of resources dedicated to technical assistance at the initiative of a Member State to those Member States which face temporary budgetary difficulties. Regulation (EU) No 1303/2013 should therefore be

¹³ COM(2010)700 of 19 October 2010.

¹⁴ COM(2011)500 final of 29 June 2011.

¹⁵ Council Regulation (EU, Euratom) No 1311/2013 of 2 December 2013 laying down the multiannual financial framework for the years 2014-2020 (OJ L 347, 20.12.2013, p. 884).

¹⁶ Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006 (OJ L 347, 20.12.2013, p. 320).

¹⁷ Regulation (EU) No 1305/2013 of the European Parliament and of the Council of 17 December 2013 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) and repealing Council Regulation (EC) No 1698/2005 (OJ L 347, 20.12.2013, p. 487).

amended in order to allow all Member States to participate financially to the Programme. The resources transferred to the Union budget should be used for supporting actions contributing to smart, sustainable and inclusive growth or Fund-specific purposes in the Member States concerned.

- (15) This Regulation should be implemented in compliance with Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council¹⁸ on the financial rules applicable to the annual budget of the European Union. The Commission should adopt multi-annual work programmes that set out the political objectives pursued, the expected results of the support and the funding priorities in the respective policy areas. Those elements should be further specified in annual work programmes adopted by implementing acts.
- (16) Considering the importance of sustaining the efforts of Member States in pursuing and implementing structural, institutional and administrative reforms, it is necessary to allow a co-financing rate of 100% of the eligible costs in order to achieve the objectives of the Programme, whilst ensuring compliance with the principles of co-financing and no-profit.
- (17) In the event of unforeseen and duly justified grounds of urgency requiring immediate response, such as a serious disturbance in the economy or significant circumstances seriously affecting the economic or social conditions in a Member State going beyond its control, upon request of a Member State, the Commission should be able to adopt special measures, for a limited proportion of the annual work programme, in accordance with objectives and actions eligible under the Programme to support the national authorities in addressing the urgent needs.
- (18) In order to ensure the efficient and coherent allocation of funds from the Union budget and the principle of sound financial management, actions under this Programme should complement and be additional to ongoing Union programmes, whilst avoiding double funding for the same expenditure. In particular, the Commission and the Member State concerned, in accordance with their respective responsibilities should ensure at Union and Member State levels, in all stages of the process, effective coordination in order to ensure consistency, complementarity and synergy between sources of funding supporting actions in the relevant Member States with close links to this Programme, specifically with measures being financed from the Union funds in the Member States.
- (19) The financial interests of the Union should be protected through proportionate measures throughout the expenditure cycle, including the prevention, detection and investigation of irregularities, the recovery of funds lost, wrongly paid or incorrectly used and, where appropriate, penalties.
- (20) To facilitate the evaluation of the Programme, a proper framework for monitoring the results achieved by the Programme should be put in place from the very beginning. A mid-term evaluation looking at the achievement of the objectives of the Programme, its efficiency and its added value at the European level should be carried out. A final

¹⁸ Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002 (OJ L 298, 26.10.2012, p. 1).

evaluation should, in addition, deal with the long-term impact and the sustainability effects of the Programme. Those evaluations should be based on the indicators, measuring the effects of the Programme.

- (21) In order to adapt the list of indicators measuring the achievement of the objectives of the Programme, in the light of experience during the implementation of the Programme, the power to adopt delegated acts in accordance with Article 290 of the Treaty on the Functioning of the European Union should be delegated to the Commission in respect of the amendment of the list. It is of particular importance that the Commission carries out appropriate consultations during its preparatory work, including at expert level. The Commission, when preparing and drawing up delegated acts, should ensure a simultaneous, timely and appropriate transmission of relevant documents to the European Parliament and to the Council.
- (22) In order to ensure uniform conditions for the implementation of this Regulation as regards the adoption of the multi-annual and annual work programmes, implementing powers should be conferred on the Commission.
- (23) Since the objective of this Regulation, namely to contribute to the 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, including through assistance for the efficient and effective use of the Union funds cannot be sufficiently achieved by the Member States alone, but can rather, by reason of their scale and effects, be better achieved at Union level, the Union may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty on European Union. In accordance with the principle of proportionality, as set out in that Article, this Regulation does not go beyond what is necessary in order to achieve that objective, since the scope of the support would be mutually agreed with the Member State concerned.
- (24) In order to allow for the prompt application of the measures provided for in this Regulation, this Regulation should enter into force on the day following that of its publication in the Official Journal of the European Union.

HAVE ADOPTED THIS REGULATION:

Article 1
Establishment and duration of the Programme

This Regulation establishes the Structural Reform Support Programme, hereinafter referred to as ‘the Programme’ for the period from 1 January 2017 to 31 December 2020.

Article 2
Definitions

For the purposes of this Regulation, the following definitions shall apply:

1. 'Beneficiary Member State' means a Member State that receives support from the Union under this Programme;
2. 'Union funds' means the European Structural and Investment funds referred to in Article 1 of Regulation (EU) No 1303/2013, the Fund for the European Aid to the Most Deprived, established by Regulation (EU) No 223/2014 of the European Parliament and of the Council¹⁹, the Asylum, Migration and Integration Fund established by Regulation (EU) No 516/2014 of the European Parliament and of the Council²⁰, the instrument for financial support for police cooperation, preventing and combating crime, and crisis management established as part of the Internal Security Fund, by Regulation (EU) No 513/2014 of the European Parliament and of the Council²¹, and the instrument for financial support for external borders and visa established, as part of the Internal Security Fund, by Regulation (EU) 515/2014 of the European Parliament and of the Council²².

Article 3 *European added value*

1. The Programme shall finance actions with European added value. To that effect, the Commission shall ensure that actions selected for funding are likely to produce results with European added value and shall monitor whether European added value is actually achieved.
2. Actions and activities of the Programme shall ensure European added value in particular through:
 - (a) the development and implementation of solutions that address national challenges which have impact on cross-border or Union-wide challenges;
 - (b) their complementarity and synergy with other Union programmes and policies at national, Union and international level;
 - (c) their contribution to the consistent and coherent implementation of Union law;
 - (d) their contribution to the sharing of good practices and to building a Union-wide platform and network of expertise;

¹⁹ Regulation (EU) No 223/2014 of the European Parliament and of the Council of 11 March 2014, on the Fund for European Aid to the Most Deprived (OJ L 72, 12.3.2014, p. 1).

²⁰ Regulation (EU) No 516/2014 of the European Parliament and of the Council of 16 April 2014 establishing the Asylum, Migration and Integration Fund, amending Council Decision 2008/381/EC and repealing Decisions No 573/2007/EC and No 575/2007/EC of the European Parliament and of the Council and Council Decision 2007/435/EC (OJ L 150, 20.5.2014, p. 168).

²¹ Regulation (EU) No 513/2014 of the European Parliament and of the Council of 16 April 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 repealing Council Decision 2007/125/JHA (OJ L 150, 20.5.2014, p. 93).

²² Regulation (EU) No 515/2014 of the European Parliament and of the Council of 16 April 2014 establishing, as part of the Internal Security Fund, the instrument for financial support for external borders and visa and repealing Decision No 574/2007/EC (OJ L 150, 20.5.2014, p. 143).

- (e) the promotion of mutual trust between Beneficiary Member States and the Commission and cooperation among Member States.

Article 4
General objective

The general objective of the Programme shall be 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, 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.

Article 5
Specific objectives and scope of the Programme

1. To achieve the general objective set out in Article 4, the Programme shall have the following specific objectives:
 - (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;
 - (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 shall be pursued in close cooperation with Beneficiary Member States

2. The specific objectives set out in paragraph 1 shall refer to policy areas related to competitiveness, growth, jobs and investment, in particular to the following:
 - (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, anti-corruption and anti-money laundering;

- (c) business environment, private sector development, investment, privatization 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;
- (f) financial sector policies and access to finance.

Article 6
Eligible actions

With a view to pursuing the objectives set out in Articles 4 and 5, the Programme may finance in particular the following types of action:

- (a) expertise related to policy advice, policy change, and legislative, institutional, structural and administrative reforms;
- (b) the provision of expert(s) (including resident experts), for a short or long period, to perform tasks in specific domains or to carry out operational activities, where necessary with interpretation, translation and cooperation support, administrative assistance and infrastructure and equipment facilities;
- (c) institutional, administrative or sectoral capacity building and related supporting actions, notably:
 - (i) seminars, conferences and workshops;
 - (ii) working visits to relevant Member States or a third country to enable officials to acquire or increase their expertise or knowledge in relevant matters;
 - (iii) training actions and the development of online or other training modules to support the necessary professional skills and knowledge relating to the relevant reforms;
- (d) collection of data and statistics; development of common methodologies and, where appropriate, indicators or benchmarks;
- (e) organisation of local operational support in areas such as asylum, migration, border control;
- (f) IT capacity building: development, maintenance, operation and quality control of the IT infrastructure and applications needed to implement the relevant reforms;
- (g) studies, researches, analyses and surveys; evaluations and impact assessments; elaboration and publication of guides, reports and educational material;

- (h) communication projects: learning, cooperation, awareness raising, dissemination activities, and exchange of good practices; organisation of awareness-raising and information campaigns, media campaigns and events, including corporate communication;
- (i) compilation and publication of materials to disseminate information as well as results of the Programme: development, operation and maintenance of systems and tools using information and communication technologies;
- (j) any other activity in support of the general and specific objectives set out in Articles 4 and 5.

Article 7
Request for support

1. A Member State wishing to receive support under the Programme shall submit a request for support to the Commission, identifying the policy areas and the priorities for support within the scope of the Programme as set out in Article 5(2). This request shall be submitted at the latest by 31 October of each calendar year.
2. Taking into account the principles of transparency, equal treatment and sound financial management, further to a dialogue with the Member State, including in the context of the European Semester, the Commission shall analyse the request for support referred to in paragraph 1 based on the urgency, breadth and depth of the problems identified, support needs in respect of the policy areas concerned, analysis of socioeconomic indicators and general administrative capacity of the Member State. Taking into account the existing actions and measures financed by Union funds or other Union programmes, the Commission in close cooperation with the Member State concerned shall identify the priority areas for support, the scope of the support measures to be provided and the global financial contribution for such support.
3. The request for support may be submitted regarding the following:
 - (a) the implementation of reforms in the context of economic governance processes, in particular of the relevant Country Specific Recommendations issued in the context of the European Semester or of relevant actions related to the implementation of Union law;
 - (b) the implementation of economic adjustment programmes for Member States that receive Union financial assistance under existing instruments, in particular in accordance with Regulation (EU) No 472/2013 of the European Parliament

and of the Council²³ for the euro area Member States and Council Regulation (EC) No 332/2002²⁴ for non-euro area Member States;

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

Article 8
Organisation of support

1. The Commission may define the support envisaged for Beneficiary Member States in cooperation with other Member States or international organisations.
2. The Beneficiary Member State, in coordination with the Commission, may enter into partnership with one or more other Member States which shall act as Reform Partners in respect of specific areas of reform. A Reform Partner shall, in coordination with the Commission, help formulate strategy, reform roadmaps, design high-quality assistance or oversee implementation of strategy and projects.

Article 9
Financial envelope

1. The financial envelope for the implementation of the Programme shall be up to EUR 142 800 000.
2. The financial allocation of the Programme may also cover expenses pertaining to preparatory, monitoring, control, audit and evaluation activities which are required for the management of the Programme and the achievement of its objectives, in particular studies, meetings of experts, information and communication actions, including corporate communication of the political priorities of the Union, as far as they are related to the general objectives of this Regulation, expenses linked to IT networks focusing on information processing and exchange, together with all other technical and administrative assistance expenses incurred by the Commission for the management of the Programme.
3. The budgetary authority shall authorise the available annual appropriations within the limits of the Multiannual Financial Framework established by Regulation (EU, Euratom) No 1311/2013.

²³ Regulation (EU) No 472/2013 of the European Parliament and of the Council of 21 May 2013 on the strengthening of economic and budgetary surveillance of Member States in the euro area experiencing or threatened with serious difficulties with respect to their financial stability (OJ L 140, 27.5.2013, p. 1).

²⁴ Council Regulation (EC) No 332/2002 of 18 February 2002 establishing a facility providing medium-term financial assistance for Member States' balances of payments (OJ L 53, 23.2.2002, p. 1).

Article 10
Other financial contributions to the budget of the Programme

1. In addition to the financial envelope set out in Article 9, the Programme may be financed through additional contributions from Member States.
2. The additional contributions referred to in paragraph 1 may consist of contributions from resources provided for technical assistance at the initiative of the Member States under Article 59 of Regulation (EU) No 1303/2013 and transferred pursuant to Article 25 of that Regulation.
3. These additional contributions referred to in paragraph 1 shall be used to support actions which contribute to delivering the Union strategy for smart, sustainable and inclusive growth. A contribution made by a Beneficiary Member State in accordance with paragraph 2 shall be used exclusively in that Member State.

Article 11
No double funding

Actions financed under this Regulation may receive support from other Union programmes, instruments or funds under the Union's budget provided that the support does not cover the same cost items.

Article 12
Implementation of the Programme

1. The Commission shall implement the Programme in accordance with Regulation (EU, Euratom) No 966/2012.
2. The measures of the Programme may be implemented either directly by the Commission or indirectly, by entities and persons other than Member States in accordance with Article 60 of Regulation (EU, Euratom) No 966/2012. In particular, Union financial support for actions provided for in Article 6 of this Regulation shall take the form of:
 - (d) grants (including grants to the Member States' national authorities);
 - (e) public procurement contracts;
 - (f) reimbursement of costs incurred by external experts;
 - (g) contributions to trust funds;
 - (h) actions carried out in indirect management.
3. Grants may be awarded to Member States' national authorities, the European Investment Bank group, international organisations, public and/or private bodies and entities legally established in any of the following:
 - (a) Member States;

- (b) European Free Trade Agreement countries which are party to the European Economic Area Agreement, in accordance with the conditions laid down in the EEA Agreement.

The co-financing rate for grants shall be up to 100 % of the eligible costs, without prejudice to the principles of co-financing and no-profit.

- 4. Support may also be provided by individual experts who may be invited to contribute to selected activities organised under the Programme wherever that is necessary for the achievement of the specific objectives set out in Articles 5.
- 5. In order to implement the Programme, the Commission shall adopt, by way of implementing acts, multi-annual work programmes. Multi-annual work programmes shall set out the policy objectives pursued through the envisaged support and the expected results, as well as funding priorities in the relevant policy areas. The multi-annual work programmes shall be further specified in annual work programmes, adopted by way of implementing acts, identifying the measures needed for their implementation, together with all the elements required by Regulation (EU, Euratom) No 966/2012.
- 6. To ensure timely availability of resources, the annual work programme may indicate that in the event of unforeseen and duly justified grounds of urgency requiring an immediate response, including a serious disturbance in the economy or significant circumstances seriously affecting the economic or social conditions in a Member State going beyond its control, the Commission may, on request by a Member State, adopt special measures in accordance with the objectives and actions defined in this Regulation to support the national authorities in addressing urgent needs. Such special measures may account only for a limited proportion of the annual work programme and shall not be subject to the conditions set out in Article 7.

Article 13 *Coordination and complementarity*

The Commission and the Beneficiary Member States, within their respective responsibilities, shall foster synergies and ensure effective coordination between the Programme and other Union programmes and instruments, and in particular with measures financed by the Union funds. To this end, they shall:

- (a) ensure complementarity and synergy between different instruments at Union and national levels, in particular in relation to measures financed by Union funds, both in the planning phase and during implementation;
- (b) optimise mechanisms for coordination to avoid duplication of effort;
- (c) ensure close cooperation between those responsible for implementation at Union and national level to deliver coherent and streamlined support actions.

The relevant multi-annual and annual work programmes may serve as the coordination framework, where support is envisaged in any of the areas referred to in Article 5(2).

Article 14
Protection of the financial interests of the Union

1. The Commission shall take appropriate measures ensuring that, when actions financed under this Regulation are implemented, the financial interests of the Union are protected by the application of preventive measures against fraud, corruption and any other illegal activities, by effective checks and, if irregularities are detected, by the recovery of the amounts wrongly paid and, where appropriate, by effective, proportionate and deterrent penalties.
2. The Commission or its representatives and the Court of Auditors shall have the power of audit, on the basis of documents and on-the-spot, over all grant beneficiaries, contractors and subcontractors who have received Union funds under the Programme.

The European Anti-fraud Office (OLAF) may carry out on-the-spot checks and inspections on economic operators concerned directly or indirectly by such funding in accordance with the procedures laid down in Council Regulation (Euratom, EC) No 2185/96²⁵ with a view to establishing whether there has been fraud, corruption or any other illegal activity affecting the financial interests of the Union in connection with a grant agreement or grant decision or a contract concerning Union funding.

Without prejudice to the first and second sub-paragraphs, cooperation agreements with international organisations and grant agreements and grant decisions and contracts resulting from the implementation of this Regulation shall expressly empower the Commission, the Court of Auditors and OLAF to conduct such audits, on-the-spot checks and inspections.

Article 15
Monitoring and evaluation

1. The Commission shall monitor the implementation of the actions financed by the Programme and measure the achievement of the specific objectives referred to in Article 5(1) in accordance with indicators set out in the Annex.

The Commission shall be empowered to adopt delegated acts in accordance with Article 16 concerning amendments to the list of indicators set out in the Annex.

2. The Commission shall provide the European Parliament and the Council with an interim evaluation report, by mid of 2019, at the latest, and an ex-post evaluation report by end of December 2021.
3. The interim evaluation report shall include information on 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. It shall also address the

²⁵ Council Regulation (Euratom, EC) No 2185/96 of 11 November 1996 concerning on-the-spot checks and inspections carried out by the Commission in order to protect the European Communities' financial interests against fraud and other irregularities (OJ L 292, 15.11.1996, p. 2).

continued relevance of all objectives and actions. The ex-post evaluation report shall include information on the longer-term impact of the Programme.

Article 16
Exercise of the delegation

1. The power to adopt delegated acts is conferred on the Commission subject to the conditions laid down in this Article.
2. The power to adopt delegated acts referred to in the second subparagraph of Article 15(1) shall be conferred on the Commission for a period of four years from 1 January 2017.
3. The delegation of power referred to in the second subparagraph of Article 15(1) may be revoked at any time by the European Parliament or by the Council. A decision to revoke shall put an end to the delegation of the power specified in that decision. It shall take effect on the day following publication in the Official Journal of the European Union or at a later date specified therein. It shall not affect the validity of any delegated acts already in force.
4. As soon as it adopts a delegated act, the Commission shall notify it simultaneously to the European Parliament and to the Council.
5. A delegated act adopted pursuant to the second subparagraph of Article 15(1) shall enter into force only if no objection has been expressed either by the European Parliament or by the Council within a period of two months of the notification of that act to the European Parliament and the Council or if, before the expiry of that period, the European Parliament and the Council have both informed the Commission that they will not object. That period shall be extended by two months at the initiative of the European Parliament or of the Council.

Article 17
Amendments to Regulation (EU) No 1303/2013

Regulation (EU) No 1303/2013 is amended as follows:

1. Article 25 is amended as follows:

(a) the title is replaced by the following:

"Management of technical assistance for Member States";

(b) paragraph 1 is replaced by the following:

"1. On the request of a Member State pursuant to Article 10 of Regulation (EU) 2015/ XXX of the European Parliament and the Council(*), a part of the resources provided for under Article 59 of this Regulation and programmed in accordance with Fund-specific rules may, in agreement with the Commission, be transferred to technical assistance at the initiative of the Commission for implementation of measures in relation to the Member State concerned in accordance with point (l) of the third subparagraph of Article 58(1) of this Regulation through direct or indirect management."

(*) OJ [...]"

(c) in paragraph 3, the first subparagraph is replaced by the following:

"A Member State shall request the transfer referred to in paragraph 1 for a calendar year by 31 January of the year in which a transfer is to be made. The request shall be accompanied by a proposal to amend the programme or programmes from which the transfer will be made. Corresponding amendments shall be made to the Partnership Agreement in accordance with Article 30(2) which shall set out the total amount transferred each year to the Commission.";

(d) the following paragraph 4 is added:

"4. Resources transferred by a Member State according to paragraph 1 shall be subject to the decommitment rule set out in Article 136";

2. in the third subparagraph of Article 58(1), point (l) is replaced by the following:

(l) actions financed under Regulation (EU) 2015/XXX in order to contribute to delivering the Union strategy for smart, sustainable and inclusive growth.";

3. in Article 91, paragraph 3 is replaced by the following:

"3. 0,35% of the global resources after the deduction of the support to the CEF referred to in Article 92(6), and to the aid for the most deprived referred to in Article 92(7) shall be allocated to technical assistance at the initiative of the Commission, of which up to EUR 112 233 000 shall be allocated to the Structural Reform Support Programme for use within the scope and purpose of that Programme.".

Article 18

Amendment to Regulation (EU) No 1305/2013

In Article 51 of Regulation (EU) No 1305/2013, the first subparagraph of paragraph 1 is replaced by the following:

"In accordance with Article 6 of Regulation (EU) No 1306/2013 the EAFRD may use up to 0,25 % of its annual allocation to finance the tasks referred to in Article 58 of Regulation (EU) No 1303/2013, including the costs for setting up and operating the European network for rural development referred to in Article 52 of this Regulation and the EIP network referred to in Article 53 of this Regulation at the Commission's initiative and/or on its behalf, of which up to EUR 30 567 000 shall be allocated to the Structural Reform Support Programme for use within the scope and purpose of that Programme."

Article 19

Entry into force

This Regulation shall enter into force on the day following that of its publication in the *Official Journal of the European Union*.

Done at Brussels,

*For the European Parliament
The President*

*For the Council
The President*

LEGISLATIVE FINANCIAL STATEMENT

1. FRAMEWORK OF THE PROPOSAL/INITIATIVE

1.1. Title of the proposal/initiative

Proposal for a Regulation of the European Parliament and of the Council establishing for the period 2017 to 2020 the Structural Reform Support Programme (SRSP)

1.2. Policy area(s) concerned in the ABM/ABB structure²⁶

Policy area: COMMISSION'S POLICY COORDINATION AND LEGAL ADVICE

ABB activity: Structural Reform Support Programme

For a detail account of the ABB activity refer to section 3.2

Policy Area: Employment, Social Affairs and Inclusion

Policy Area: Regional and Urban Policy

Policy Area: Agriculture and Rural Development

Policy Area: Migration and Asylum

1.3. Nature of the proposal/initiative

The proposal/initiative relates to **a new action**

The proposal/initiative relates to **a new action following a pilot project/preparatory action**^{27 28}

The proposal/initiative relates to **the extension of an existing action**

The proposal/initiative relates to **an action redirected towards a new action**

²⁶ ABM: activity-based management; ABB: activity-based budgeting.

²⁷ As referred to in Article 54(2)(a) or (b) of the Financial Regulation.

²⁸ Preparatory action adopted in the DB 2016 under budget line 01 02 77 01 which is "intended to finance the provision of support to Member States for the implementation of key reforms in the areas of fiscal responsibility, growth-enhancing public administration and competitiveness. This support will aim to enhance the capacity of Member States to implement reforms and to strengthen their public institutions. It should be focused in particular on fiscal, structural and institutional reforms that have been identified as priorities in the course of the EU's regular cycle of macroeconomic surveillance; in the course of an economic adjustment programme; during enhanced surveillance, or during post-programme surveillance. It will be delivered by the Commission upon request of the Member State concerned and is open to all Member States".

1.4. Objective(s)

1.4.1. *The Commission's multiannual strategic objective(s) targeted by the proposal/initiative*

The general objective of the Programme will be 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, 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.

Specific objective(s) and ABM/ABB activity(ies) concerned

The Programme has the following specific objectives:

Specific objective No 1

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

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.

Specific objective No 3

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.

Specific objective No 4

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 shall be pursued in close cooperation with the Beneficiary Member States.

The support to reforms – including through assistance for the efficient and effective use of Union funds (i.e. the European Structural and Investment Funds, ESI funds, as defined in the Common Provision Regulation, the Fund for the European Aid to the Most Deprived, FEAD, as well as the funds related to asylum, migration and border control) - will relate to specific policy areas, in particular relate to public financial management, budget process, debt management and revenue administration, 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, business environment, private sector development, access to finance, investment, financial sector policies,

privatisation processes, trade and foreign direct investment, competition and public procurement, sustainable sectoral development and support for innovation, education and training, labour market policies, social inclusion, social security and social welfare systems, public health and healthcare systems, asylum, migration and border policies, and policies for the agricultural sector and the sustainable development of rural areas.

ABM/ABB activity(ies) concerned

REGIO, EMPL, MARE, AGRI, TAXUD, JUST, HOME, GROW, MARKT, RTD, CNECT, COMP.

1.4.2. *Expected result(s) and impact*

Specify the effects which the proposal/initiative should have on the beneficiaries/groups targeted.

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:

- Enhanced ability of national authorities of Member States to identify and address economic and structural weaknesses;
- Strengthened competencies and ability of national authorities of Member States in developing, designing and implementing reform policies according to priorities;
- Enhanced capacity of national authorities of 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 Member States to define processes and methodologies at national level in order to support reform design, management and implementation 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 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, a 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 States as a result of support actions provided under the Programme.

1.4.3. *Indicators of results and impact*

Specify the indicators for monitoring implementation of the proposal/initiative.

The achievement of the specific objectives will be measured on the basis of the following indicators; they will be used according to data and information available

(including appropriate quantitative or empirical data) and could be adjusted in the course of the Programme by the Commission, where relevant, on the basis of Article 15 of the Regulation:

(a) the number and type of national authorities, administration services and other public entities such as national ministries or regulatory authorities, by Beneficiary Member State to which support under the Programme was provided;

(b) the number and type of support providers such as government bodies, public law bodies and bodies governed by private law with a public service mission, International Organisations, by specific objective, policy area and Beneficiary Member State;

(c) the number and type of eligible actions under Article 6 performed such as the provision of experts, training actions, seminars etc., split by:

i. Country Specific Recommendations or relevant actions related to the implementation of Union law, economic adjustment programmes and the Member State's own-initiative reforms;

ii. specific objective, policy area and Beneficiary Member State;

iii. support providers such as government bodies, public law bodies and bodies governed by private law with a public service mission, International Organisations;

iv. support recipients from the Beneficiary Member State such as national authorities.

(d) the number and type of policy and legal arrangements such as political memoranda of understanding or letters of intent, agreements, contracts, entered into between the Commission, Reform Partners (as the case may be) and support providers for activities under the Programme by specific objective, policy area and Beneficiary Member State;

(e) the number of policy initiatives (e.g. action plans, roadmaps, guidelines, recommendations, legislation recommended) adopted by specific objective, policy area and Beneficiary Member State following relevant activities supported by the Programme;

(f) the number of measures implemented by policy area and Beneficiary Member State as a result of support actions provided under the Programme split by Country Specific Recommendation or relevant actions related to the implementation of Union law, economic adjustment programmes and the Member State's own-initiative reforms;

(g) the feedback from national authorities, administration services and other public entities having received support under the Programme as well as (if available) other stakeholders/participants on the results and/or impact of the actions under the Programme by specific objective, policy area and Beneficiary Member State, supported where available by quantitative or empirical data;

(h) the feedback from support providers on the results and/or impact of the support that they have provided under the Programme in the specific objective and policy area in which they have been active, by Beneficiary Member State, supported where available by quantitative or empirical data;

(i) the evolution of the views of relevant stakeholders regarding the contribution of the Programme to the achievement of the reforms by specific objective, policy area, and Beneficiary Member State, supported where available, by appropriate quantitative or empirical data.

1.5. Grounds for the proposal/initiative

1.5.1. Requirement(s) to be met in the short or long term

The creation of a sound regulatory and institutional environment and a smoothly-functioning economy are essential for making gains in competitiveness, encouraging investment, fostering employment creation, raising living standards and producing sustainable growth across the Union. Many economies in the Union have been undergoing and continue to undergo adjustment processes to correct macroeconomic imbalances accumulated in the past and many are facing the challenge of low potential growth. This situation is often a result of delayed or insufficient structural reforms in the respective economies. The Union has identified the implementation of structural reforms among its policy priorities to set the recovery on a sustainable path, unlock the growth potential to strengthen the adjustment capacity, and support the process of convergence.

Reforms must be well-designed, legislated and effectively implemented. Successful reforms require more than just passing the necessary legislation – they require effective implementation which implies addressing the structural problems of the public administrations (e.g. competences, mobility, incentives, changes to work processes, etc.), and the challenges in the economic and societal domains. The benefits of the reforms may take some time to materialise. Therefore, early and efficient implementation is crucial, be it for crisis-struck or structurally-weak economies.

In addition, improving the implementation of the Union acquis is one of the priorities of the Commission. In this respect, the Commission indicated that it needs to "(c)operate with Member States in examining the best ways to ensure compliance with EU law at national level"

The support provided under the SRSP would be thus available to all 28 EU Member States.

1.5.2. Added value of EU involvement

The Union is in a better position than Member States to identify, mobilise and coordinate the best available expertise (be it from inside the European institutions services and from other countries, or international organisations), foster the exchange of best practices (as well as ensure its consistent dissemination across the Union) in

support of the implementation of targeted growth-enhancing reforms in the Member States.

Moreover, the mobilisation of expertise by the Union would also be more effective as it would bring-along economies of scale and scope by building a Union-wide platform for the provision and sharing of good practices.

In this respect, the actions to be implemented should accompany the efforts of the Member States, and be complementary with other programmes and policies at national, Union and international level; this would materialise mostly by providing support actions that would accompany on the ground (where possible via embedded experts) the reform endeavours of the national authorities along the different stages or phases of the reform process, notably targeting interventions that are not already the object of the support measures under other Union programmes of Union funds, or of national initiatives.

In particular, the actions under the Programme would have to allow the development and implementation of solutions that, while addressing national challenges, have potentially impacts on cross-border and Union levels, and contribute to share good practices and help build a network of available expertise. Ultimately, the actions under the Programme would contribute to further promote mutual trust between the Beneficiary Member States and the Commission.

The proposed Programme is the most suitable means of supporting on the ground those Member States that implement growth-enhancing reforms, since the Union is in a better position than Member States to identify, mobilise and coordinate the best available expertise and to provide a coordinated approach to technical support in Member States requesting assistance.

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. Additionally, 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 particular country can strongly benefit from (and cross-fertilize in return) the experience of one or similar other countries that have implemented similar policy/reforms .
- Support to the Member States would be provided in a coordinated manner across policy areas. Efforts of national authorities to enhance their capacity to formulate, develop and implement reform policies and strategies would be pursued within an integrated approach ensuring consistency between goals and means across sectors.

In particular, the added value of the actions under this Programme in respect of other Union instruments will be ensured bearing in mind that the decision to provide support to a requesting Member State will duly take into account the existing actions and measures financed by Union funds or other Union programmes in the Member State concerned.

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 SGO in Greece and the DGEPCD in Cyprus) inside the national administrations.

- 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.

1.5.3. *Lessons learned from similar experiences in the past*

Past experience of providing technical assistance (TA) to Cyprus and Greece, in areas covering almost the whole spectrum of public policy fields, provides useful lessons for the future in relation to the roll-out of technical support to potentially all Member States. Provision of technical assistance (TA) has been crucial in supporting the economic adjustment of Cyprus and Greece (via the Support Groups for Cyprus – SGCY and the Task Force for Greece – TFGR).

Realising the added value of the support to reforms, Greece and Cyprus (i.e. the two countries eligible to request technical assistance via TFGR and SGCY) requested and received technical support for a widespread range of policy areas going beyond their economic adjustment programmes. Under the envisaged SRSP, this type of "extensive" technical support would be made available to all Member States, irrespective of their status of "programme country".

The technical assistance provided to Greece by the TFGR, was subject to an independent external evaluation, which concluded that the TA contributed to the implementation of the reform programme in Greece in the areas under evaluation, i.e. tax administration and central administration reform during the period 2011-2013.

Against this background, the intention is to provide for an extension – under the auspices of the Structural Reform Support Service (SRSS) – of technical support to

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

In view of this experience, the proposed Structural Reform Support Programme (SRSP) aims to provide for an extension of technical support which would be made available to all Member States upon their request. Specifically, the Commission would - on request - provide technical support

1.5.4. *Compatibility and possible synergy with other appropriate instruments*

The Programme would be complementary to existing resources for capacity building and technical assistance available within other Union financing programmes under the Multi-annual Financial Framework and with technical assistance and other actions financed by Union funds.

The Programme would add value to the support provided by the various sectoral Union programmes and the actions carried out under the Union funds, since it would offer a macro country-specific perspective while supporting the most important structural reforms in Member States in line with the key policy objectives of the Union.

Additionally, the Commission would ensure the necessary coordination within its internal working arrangements, in particular during the process leading to the adoption of the Work Programme(s). The services concerned would work together to ensure that the actions proposed to be implemented in the Work Programme(s) of the SRSP are indeed complementary and do not overlap with those of other Union programmes and Funds (including the Union funds, in particular the European Structural and Investment funds). In this respect, as said before, 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.

Indeed, several Union programmes foresee the possibility of providing technical assistance to the Member States in deploying certain public policy actions within specific areas. Depending on their specific objective and field, they are designed to promote the creation of favourable conditions for economic growth, social and environmental protection and improvement. 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 Europe 2020 strategy aims to create the conditions for smart, sustainable and inclusive growth in all Member States. Economic growth is essential for reducing unemployment, improving social cohesion and raising living standards. The Union has identified the implementation of structural reforms among its policy priorities to set the recovery on a sustainable path, unlock the growth potential to strengthen the adjustment capacity, and support the process of convergence.

The reform process is complex, often costly, requires expertise on different areas simultaneously and may have a cross-border impact. Union support would contribute

to enhancing the ability to undertake in-depth growth-enhancing reforms across Member States impacting throughout the Union as a whole.

The Programme, to be implemented in close cooperation with the national authorities concerned, would actively contribute to strengthening the administrative capacity in these Member States to reform institutions, administration, economic and societal sectors with a view to achieving simplified, efficient and modern structures at the service of citizens and companies.

Finally, 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 (including its digital part). For example, the Capital Market Union (CMU) action plan envisages technical support for capital market development. The Programme would provide for the necessary framework and funding for such support.

Proportionality

The proposal complies with the proportionality principle in that it does not go beyond the minimum required in order to achieve the stated objective at European level and what is necessary for that purpose. This is borne out by the fact that, firstly, the assistance to be provided to the national authorities of a Member State (including the national authorities thereof) is to be based on a request for support stemming from the Member State itself, and secondly, by the fact that the scope of the support would be mutually agreed between the Commission and the Member State concerned.

1.6. Duration and financial impact

Proposal/initiative of **limited duration**

- Proposal/initiative in effect from 01/01/2017 to 31/12/2020.
- Financial impact from 01/01/2017 to 31/12/2020 and further.

Proposal/initiative of **unlimited duration**

- Implementation with a start-up period from YYYY to YYYY,
- followed by full-scale operation.

1.7. Management mode(s) planned²⁹

Direct management by the Commission

- by its departments, including by its staff in the Union delegations;
- by the executive agencies

²⁹

Details of management modes and references to the Financial Regulation may be found on the BudgWeb site: http://www.cc.cec/budg/man/budgmanag/budgmanag_en.html

Shared management with the Member States

Indirect management by entrusting budget implementation tasks to:

- third countries or the bodies they have designated;
- international organisations and their agencies (to be specified);
- the EIB and the European Investment Fund;
- bodies referred to in Articles 208 and 209 of the Financial Regulation;
- public law bodies;
- bodies governed by private law with a public service mission to the extent that they provide adequate financial guarantees;
- bodies governed by the private law of a Member State that are entrusted with the implementation of a public-private partnership and that provide adequate financial guarantees;
- persons entrusted with the implementation of specific actions in the CFSP pursuant to Title V of the TEU, and identified in the relevant basic act.
- *If more than one management mode is indicated, please provide details in the 'Comments' section.*

2. MANAGEMENT MEASURES

2.1. Monitoring and reporting rules

Specify frequency and conditions.

The proposal includes monitoring and evaluation obligations. Achievement of the specific objectives will be monitored on the basis of the indicators contained in the proposal.

The Commission will provide the European Parliament and the Council with an interim evaluation report, by mid of 2019, at the latest, and an ex-post evaluation report by end of December 2021.

The interim evaluation report will examine 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. It will also address the continued relevance of all objectives and actions. The ex-post evaluation report shall include information on the longer-term impact of the Programme.

2.2. Management and control system

2.2.1. Risk(s) identified

The Programme may be implemented either directly by the Commission or indirectly, by entities and persons other than Member States in accordance with Article 60 of the Financial Regulation. In particular, Union financial support for activities shall take the form of:

- i. grants (including to Member States national authorities)
- ii. public procurement contracts
- iii. reimbursement of costs incurred by external experts
- iv. contribution to trust funds
- v. actions carried out in indirect management

The co-financing rate for grants shall be up to 100 % of the eligible costs, without prejudice to the principles of co-financing and no-profit.

The main risks identified by the European Court of Auditors and by the Commission ex-post audits for Programme with similar implementation measures are the following:

- Risk of poor quality of selected projects and poor technical implementation of the project, reducing the programmes' impact; due to inadequate selection procedures, lack of expertise or insufficient monitoring.

- Risk of inefficient or non-economic use of funds awarded:

* for grants, implementation of the eligibility rules could result in a risk of incorrectly declared costs;

* for public procurement the undetected errors or uncorrected imprecisions in tenders or tender specifications could lead to bad contract execution;

* risks referring to eligibility (of international financial intermediaries (IFI's) and final beneficiaries), contractual compliance (transposal of the Commission's requirements into the contractual documentation), process compliance (non-observance of processes prescribed by the Commission) and performance (non-achievement of pre-defined targets/objectives).

However, the framework agreements in force with International Organisations and Member State's 7 pillar assessed Agencies will provide a stable legal framework, which contains ex-ante and ex-post monitoring and assessment system compliant with FR and RAP obligations.

- Reputational risk for the Commission, if fraud or criminal activities are discovered.

2.2.2. *Information concerning the internal control system set up*

The control system envisaged for the future programme will be composed of different building blocks: supervision of operations by the operational management service the ex-ante control (financial verification) by a central budget and control service, the ex-post controls and/or audits for grants.

All transactions could be subject to an ex ante verification by the programme management service and a financial verification by the budget and control service (except for low-risk prefinancings).

For grants, financial reports will be verified thoroughly alongside the implementation reports, assessing both financial and operational results: complementary information and supporting documents will be requested when deemed necessary, based on a risk assessment. All open and restricted procurement procedures and all negotiated procedures above €60.000 will be submitted to internal procurement checks before the award decision is adopted.

The ex-post control will apply a "detection strategy" aimed at detecting a maximum of anomalies in view of recovering undue payments. Based on this strategy, the audits will be carried out on a sample of projects selected almost entirely on the basis of a risk analysis.

2.2.3. *Estimate of the costs and benefits of the controls and assessment of the expected level of risk of error*

Some 70% of all staff involved in the management of the programme will perform control functions in a broad sense (from the selection of beneficiaries/contractors to the implementation of audit results). Moreover, some external audits could be financed from administrative support appropriations.

Reduction of the number of procedures, harmonised rules and procedures will apply, reducing the risk of error. In addition, the simplification tools available under the new FR will provide more stable framework for the implementation of the different actions.

2.3. **Measures to prevent fraud and irregularities**

Specify existing or envisaged prevention and protection measures.

Different measures will be put in place for the programme to prevent fraud and irregularities; in article 14 of the proposal, a provision is inserted on the protection of the financial interest of the European Union.

In line with the Commission Anti-fraud strategy covering the whole expenditure cycle, specific anti-fraud action plan for these expenses will be undertaken by the service responsible for 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 plan 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.

3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE

3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected

- Existing budget lines

In order of multiannual financial framework headings and budget lines.

Heading of multiannual financial framework	Budget line	Type of expenditure	Contribution			
	Number Heading.....]	Diff./Non-diff. ³⁰	from EFTA countries ³¹	from candidate countries ³²	from third countries	within the meaning of Article 21(2)(b) of the Financial Regulation
	XX.YY.YY.YY]	Diff./Non-diff.	YES/NO	YES/NO	YES/NO	YES/NO

- New budget lines requested

In order of multiannual financial framework headings and budget lines.

Heading of multiannual financial framework	Budget line	Type of expenditure	Contribution			
	1b Economic, social and territorial cohesion/ 2 Sustainable Growth: Natural Resources	Diff./Non-diff.	from EFTA countries	from candidate countries	from third countries	within the meaning of Article 21(2)(b) of the Financial Regulation
1.b	13.01.04.04	Non diff.	YES	NO	NO	NO
1.b	13.08.01	Diff.	YES	NO	NO	NO
2	13.08.02	Diff.	YES	NO	NO	NO

³⁰ Diff. = Differentiated appropriations / Non-diff. = Non-differentiated appropriations.

³¹ EFTA: European Free Trade Association.

³² Candidate countries and, where applicable, potential candidate countries from the Western Balkans.

3.2. Estimated impact on expenditure

3.2.1. Summary of estimated impact on expenditure

EUR million (to three decimal places)

Heading of multiannual financial framework		1b/2	Economic, social and territorial cohesion/ Sustainable Growth: Natural Resources					TOTAL
DG:SG / SRSS			Year 2017 ³³	Year 2018	Year 2019	Year 2020	Years 2021 & 2022	
Operational appropriations								
13.08.01	Commitments	(1)	17.443	23.645	29.847	34.498	0.000	105.433
	Payments	(2)	8.721	17.055	25.505	30.932	23.218	105.433
13.08.02	Commitments	(1)	5.057	6.855	8.653	10.002		30.567
	Payments	(2)	2.529	4.945	7.395	8.968	6.732	30.567
Appropriations of an administrative nature financed from the envelope of specific programmes³⁴								
13.01.04.04		(3)	1.125	1.525	1.925	2.225		6.800
	Commitments	=I+1a+3	23.625	32.025	40.425	46.725		142.800

³³

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

³⁴

Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former 'BA' lines), indirect research, direct research.

for 13	Payments	=2+2a +3	12.375	23.525	34.825	42.125	29.950	142.800
• TOTAL operational appropriations	Commitments	(4)	22.500	30.500	38.500	44.500	0.000	136.000
	Payments	(5)	11.250	22.000	32.900	39.900	29.950	136.000
• TOTAL appropriations of an administrative nature financed from the envelope for specific programmes	Commitments	(6)	1.125	1.525	1.925	2.225		6.800
	Payments							
TOTAL appropriations under HEADING 1b/2 of the multiannual financial framework	Commitments	(4+6)	23.625	32.025	40.425	46.725		142.800
	Payments	(5+6)	12.375	23.525	34.825	42.125	29.950	142.800

EUR million (to three decimal places)

Heading of multiannual financial framework	5	'Administrative expenditure'
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DG: SG/SRSS	Year 2017	Year 2018	Year 2019	Year 2020	TOTAL
• Human resources	1.336	1.600	2.004	2.004	6.944
• Other administrative expenditure	0.110	0.155	0.200	0.230	0.695
TOTAL DG SG/SRSS	1.446	1.755	2.204	2.234	7.639

TOTAL appropriations under HEADING 5 of the multiannual financial framework	(Total commitments Total payments)	=	1.446	1.755	2.204	2.234	7.639
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EUR million (to three decimal places)

	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021/2	TOTAL
TOTAL appropriations under HEADINGS 1b/2 to 5 of the multiannual financial framework	Commitments	25.071	33.780	42.629	48.959	150.439
	Payments	13.821	25.280	37.029	44.359	29.950

3.2.2. Estimated impact on operational appropriations

- The proposal/initiative does not require the use of operational appropriations
- The proposal/initiative requires the use of operational appropriations, as explained below:

Indicate objectives and outputs		Year			Year			Year			TOTAL
		2017	2018	2019	2020	2017	2018	2019	2020		
OUTPUTS											
↓	Average cost	€	Cost	€	Cost	€	Cost	€	Cost	Total cost	
SPECIFIC OBJECTIVE No 1											
To assist the initiatives of national authorities to design their reforms according to priorities, taking into account initial conditions and expected socio-economic impacts											
- Output A	Number of analyses supporting national reform sector	0,06	1,800	2,520	3,360	3,840	11,520	60-65	3,840	11,520	
- Output B	Number of experts	0,00115	0,092	0,092	0,092	0,092	0,368	80	0,092	0,368	
Subtotal for specific objective No 1			1,892	2,612	3,452	3,932	11,888		3,932	11,888	

Commitment appropriations in EUR million

SPECIFIC OBJECTIVE No 2											
To sustain the endeavours of 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											
- Output C	Number of experts	0,00115	60-80	0,086	90-100	0,115	100-150	0,141	100-150	0,147	0,490
- Output D	Number of Roadmaps, Action plan, prepared and implemented by sector and country	0,125	15-20	2,125	15-20	2,125	25-30	3,125	35-45	5,25	12,625
- Output E	Number of specific service expertise	0,015	15-20	0,225	20-25	0,300	25-30	0,390	30-40	0,450	1,365
- Output F	Number of projects supported	0,900	4	3,600	5	4,500	6	5,400	6	5,400	18,900
Subtotal for specific objective No 2				6,036		7,040		9,056		11,247	33,380
SPECIFIC OBJECTIVE No 3											
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											
- Output G	Number of experts	0,00115	180-200	0,230	200-220	0,246	220-240	0,276	220-240	0,276	1,028
- Output H	Number of projects supported	0,900	5	4,500	8	7,200	8	7,200	9	8,100	27,000
- Output I	Number of projects supported	0,150	12	1,800	14	2,100	18	2,700	18	2,700	9,300
- Output J	Number of specific service expertise	0,015	70-80	1,065	80-90	1,320	90-95	1,380	95-100	1,500	5,265

3.2.3. Estimated impact on appropriations of an administrative nature

3.2.3.1. Summary

- The proposal/initiative does not require the use of appropriations of an administrative nature
- The proposal/initiative requires the use of appropriations of an administrative nature, as explained below:

EUR million (to three decimal places)

	Year 2017	Year 2018	Year 2019	Year 2020	TOTAL
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HEADING 5 of the multiannual financial framework					
Human resources	1.336	1.600	2.004	2.004	6.944
Other administrative expenditure	0.110	0.155	0.200	0.230	0.695
Subtotal HEADING 5 of the multiannual financial framework	1.446	1.755	2.204	2.234	7.639

Outside HEADING 5³⁵ of the multiannual financial framework					
Human resources					
Other expenditure of an administrative nature	1.125	1.525	1.925	2.225	6.800
Subtotal outside HEADING 5 of the multiannual financial framework	1.125	1.525	1.925	2.225	6.800
TOTAL	2.571	3.280	4.129	4.459	14.439

The appropriations required for human resources and other expenditure of an administrative nature will be met by appropriations from the DG that are already assigned to management of the action and/or have been redeployed within the DG, together if necessary with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints.

³⁵ Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former 'BA' lines), indirect research, direct research.

3.2.3.2. Estimated requirements of human resources

- The proposal/initiative does not require the use of human resources.
- The proposal/initiative requires the use of human resources, as explained below:

Estimate to be expressed in full time equivalent units

	Year 2017	Year 2018	Year 2019	Year 2020
• Establishment plan posts (officials and temporary staff)				
XX 01 01 01 (Headquarters and Commission's Representation Offices)	8	10	12	12
XX 01 01 02 (Delegations)				
XX 01 05 01 (Indirect research)				
10 01 05 01 (Direct research)				
• External staff (in Full Time Equivalent unit: FTE)³⁶				
XX 01 02 01 (AC, END, INT from the 'global envelope')	4	4	6	6
XX 01 02 02 (AC, AL, END, INT and JED in the delegations)				
10 01 04 yy³⁷	- at Headquarters			
	- in Delegations			
TOTAL	12	14	18	18

XX is the policy area or budget title concerned.

The human resources required will be met by staff from the DG who are already assigned to management of the action and/or have been redeployed within the DG, together if necessary with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints.

Description of tasks to be carried out:

Officials and temporary staff	<p>The task to be carried out comprise all tasks necessary to the financial and contractual management of the programme, namely:</p> <ul style="list-style-type: none"> • Providing input to the budgetary procedure and management plan • Preparing annual work programmes/financing decisions, establishing annual priorities • Managing call for tenders and call for proposals and the
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³⁶ AC= Contract Staff; AL = Local Staff; END= Seconded National Expert; INT = agency staff; JED= Junior Experts in Delegations.

³⁷ Sub-ceiling for external staff covered by operational appropriations (former 'BA' lines).

	<p>subsequent selection procedures in coordination with the operational services.</p> <ul style="list-style-type: none"> • Communicating with stakeholders on contractual and financial matters. • Preparation and organisation of the High Level Group meetings with DG concerned, Member States and other stakeholders. • Managing projects (on the financial and contractual side): commitment, payment, recovery order, etc. • Performing controls, as described above (ex ante verification, procurement service, ex post/internal control) • Managing IT tools • Contributions and follow up of the annual DAS procedure. • Monitoring and reporting on achievement of objectives, including in the budgetary procedure, management plan, mid-term review, AAR and AOS reports
External staff	Support to the financial and administrative tasks.

3.2.4. *Compatibility with the current multiannual financial framework*

- The proposal/initiative is compatible the current multiannual financial framework.
- The proposal/initiative will entail reprogramming of the relevant heading in the multiannual financial framework.

Explain what reprogramming is required, specifying the budget lines concerned and the corresponding amounts.

New line in heading 1b/2 with the following amounts in EUR million (to three decimal places):

2017: 23.625

2018: 32.025

2019: 40.425

2020: 46.725

- The proposal/initiative requires application of the flexibility instrument or revision of the multiannual financial framework.

Explain what is required, specifying the headings and budget lines concerned and the corresponding amounts.

3.2.5. *Third-party contributions*

- The proposal/initiative does not provide for co-financing by third parties.
- The proposal/initiative provides for the co-financing estimated below:

Appropriations in EUR million (to three decimal places)

	Year 2017	Year 2018	Year 2019	Year 2020	Total
Specify the co-financing body					
TOTAL appropriations co-financed					

Estimated impact on revenue

- The proposal/initiative has no financial impact on revenue.
- The proposal/initiative has the following financial impact:
 - on own resources
 - on miscellaneous revenue

EUR million (to three decimal places)

Budget revenue line:	Appropriations available for the current financial year	Impact of the proposal/initiative ³⁸			
		Year N	Year N+1	Year N+2	Enter as many years as necessary to show the duration of the impact (see point 1.6)
Article					

For miscellaneous 'assigned' revenue, specify the budget expenditure line(s) affected.

xx.01.04.xx and xx.xx.xx

Specify the method for calculating the impact on revenue.

To be determined by the specific framework agreements with the contributors.

³⁸

As regards traditional own resources (customs duties, sugar levies), the amounts indicated must be net amounts, i.e. gross amounts after deduction of 25 % for collection costs.