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## **INFORMATION NOTE**

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From:	General Secretariat of the Council
To:	Permanent Representatives Committee/Council
Subject:	Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amending Regulation (EU) 2017/825 to increase the financial envelope of the Structural Reform Support Programme and adapt its general objective – Outcome of the European Parliament's first reading (Strasbourg 10-13 September 2018)

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### **I. INTRODUCTION**

In accordance with the provisions of Article 294 of the TFEU and the joint declaration on practical arrangements for the codecision procedure<sup>1</sup>, a number of informal contacts have taken place between the Council, the European Parliament and the Commission with a view to reaching an agreement on this dossier at first reading, thereby avoiding the need for second reading and conciliation.

In this context, Ms Iskra MIHAYLOVA (ALDE, BG) presented one compromise amendment (amendment 19) to the proposal for Regulation, on behalf of the Committee she chairs, on 5 September 2018. This amendment had been agreed during the informal contacts referred to above.

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<sup>1</sup> OJ C 145, 30.6.2007, p.5

## II. VOTE

When it voted on 11 September 2018, the plenary adopted one compromise amendment (amendment 19) to the proposal for a Regulation. The Commission's proposal as thus amended constitutes the Parliament's first-reading position which is contained in its legislative resolution as set out in the Annex hereto<sup>2</sup>.

The Parliament's position reflects what had been previously agreed between the institutions. The Council should therefore be in a position to approve the Parliament's position.

The act would then be adopted in the wording which corresponds to the Parliament's position.

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<sup>2</sup> The version of the Parliament's position in the legislative resolution has been marked up to indicate the changes made by the amendments to the Commission's proposal. Additions to the Commission's text are highlighted in ***bold and italics***. The symbol "■" indicates deleted text.

## **Structural Reform Support Programme: financial envelope and general objective \*\*\*I**

**European Parliament legislative resolution of 11 September 2018 on the proposal for a regulation of the European Parliament and of the Council amending Regulation (EU) 2017/825 to increase the financial envelope of the Structural Reform Support Programme and adapt its general objective (COM(2017)0825 – C8-0433/2017 – 2017/0334(COD))**

### **(Ordinary legislative procedure: first reading)**

*The European Parliament,*

- having regard to the Commission proposal to Parliament and the Council (COM(2017)0825),
  - having regard to Article 294(2) and Articles 175 and 197(2) of the Treaty on the Functioning of the European Union, pursuant to which the Commission submitted the proposal to Parliament (C8-0433/2017),
  - having regard to Article 294(3) of the Treaty on the Functioning of the European Union,
  - having regard to the opinion of the European Economic and Social Committee of 14 March 2018<sup>3</sup>,
  - having regard to the opinion of the Committee of the Regions of 3 April 2018<sup>4</sup>,
  - having regard to the provisional agreement approved by the committee responsible under Rule 69f(4) of its Rules of Procedure and the undertaking given by the Council representative by letter of 18 July 2018 to approve Parliament's position, in accordance with Article 294(4) of the Treaty on the Functioning of the European Union,
  - having regard to Rule 59 of its Rules of Procedure,
  - having regard to the report of the Committee on Regional Development and also the opinions of the Committee on Budgets, the Committee on Economic and Monetary Affairs and the Committee on Employment and Social Affairs (A8-0227/2018),
1. Adopts its position at first reading hereinafter set out;
  2. Approves the joint statement of the European Parliament, the Council and the Commission annexed to this resolution;
  3. Takes note of the Commission statement annexed to this resolution;

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<sup>3</sup> OJ C 237, 6.7.2018, p. 53.

<sup>4</sup> OJ C 247, 13.7.2018, p. 54.

4. Calls on the Commission to refer the matter to Parliament again if it replaces, substantially amends or intends to substantially amend its proposal;
5. Instructs its President to forward its position to the Council, the Commission and the national parliaments.

**Position of the European Parliament adopted at first reading on 11 September 2018 with a view to the adoption of Regulation (EU) 2018/... of the European Parliament and of the Council amending Regulation (EU) 2017/825 to increase the financial envelope of the Structural Reform Support Programme and adapt its general objective**

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<sup>5</sup>,

Having regard to the opinion of the Committee of the Regions<sup>6</sup>,

Acting in accordance with the ordinary legislative procedure<sup>7</sup>,

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<sup>5</sup> OJ C 237, 6.7.2018, p. 53.

<sup>6</sup> OJ C 247, 13.7.2018, p. 54.

<sup>7</sup> Position of the European Parliament of 11 September 2018.

Whereas:

- (1) ***The Union may support the efforts of Member States, upon their request, to improve their administrative capacity to implement Union law.***
  
- (2) The Structural Reform Support Programme ('the Programme') was established with the objective of strengthening the capacity of Member States to prepare and implement administrative and growth-sustaining structural reforms ***of interest to the Union***, including through the provision of assistance for the efficient and effective use of the Union funds. Support under the Programme is provided by the Commission at the request of a Member State, and can cover a wide range of policy areas. Developing resilient economies ***and a resilient society*** built on strong economic, social ***and territorial*** structures, which allow Member States to efficiently absorb shocks and swiftly recover from them, contributes to economic and social cohesion ***and unlocks growth potential. Member States should encourage, in accordance with their legal framework, suitable contributions and involvement of national and regional public administration and stakeholders.*** The implementation of institutional, administrative and growth-sustaining structural reforms, ***which are important for Member States, and the ownership on the ground of structural reforms of interest to the Union are important tools*** for achieving such developments.

- (3) *Effective communication of the Programme's actions and activities and of their results at Union, national and regional levels, as appropriate, is essential for raising awareness of the achievements of the Programme, for ensuring visibility and for providing information on its effects on the ground.*
- (4) *Given that demand for support could exceed the Programme's funding, the requests should be prioritised, where appropriate, by the Member State concerned during the request for support procedure. In that context, attention should be paid to requests for support that have links to the European Semester and to policy areas related to cohesion, innovation, employment, and smart and sustainable growth. The Programme should complement other instruments in order to avoid overlaps.*
- (5) *Given that the Programme does not provide funding to Member States, but only technical support, it does not aim to replace or substitute funding from national budgets.*
- (6) Member States have increasingly taken up support under the Programme, beyond the initial expectations. Based on their estimated value, the requests for support received by the Commission during the 2017 cycle have significantly exceeded the available annual allocation. During the 2018 cycle, the estimated value of requests received was five times the financial resources available for that year. Almost all Member States have requested support under the Programme, and the requests have been distributed across all policy areas covered by the Programme.

- (7) Strengthening economic and social cohesion **through** structural reforms, **which benefit the Union and are in accordance with Union principles and values**, is crucial **to underpin economic resilience** as well as successful participation **and enhanced real convergence** in the Economic and Monetary Union, **ensuring the Union's long-term stability and prosperity**. That is **equally** important for Member States whose currency is not the euro, in their preparation to join the euro area, **and for euro-area Member States**.
- (8) It is thus appropriate to stress in the general objective of the Programme, within its contribution towards responding to economic and social challenges, that enhancing **economic and social** cohesion, competitiveness, productivity, sustainable growth, job creation, **investment and social inclusion could** also contribute to the preparations for future participation in the euro area by those Member States whose currency is not the euro.



- (9) *With a view to pursuing the general and specific objectives and within the eligible actions to be financed by the Programme, it should be indicated that actions and activities of the Programme should also be able to support reforms that may help Member States **█** in their preparation to join the euro area, while respecting the principle of equal treatment of all Member States.*
- (10) In order to meet the growing demand for support from Member States, and in view of the need to support the implementation of structural reforms *of interest to the Union, including* in Member States whose currency is not the euro, *in their preparation to join the euro area*, the financial allocation for the Programme should be increased to a sufficient level that allows the Union to provide support, *which* meets the needs of the requesting Member States *and which is used in accordance with sound financial management. That increase should not adversely affect the other priorities of cohesion policy. Moreover, Member States should not be obliged to transfer their national and regional allocations from European Structural and Investment Funds.*

- (11) In order to provide **quality** support with the least possible delay, the Commission should be able to use part of the financial envelope also to cover the cost of activities supporting the Programme, such as expenses related to quality control and monitoring, **and evaluation** of projects on the ground. ***Those activities are important to ensure the efficiency of project implementation.***
- (12) Regulation (EU) 2017/825 of the European Parliament and of the Council<sup>8</sup> should therefore be amended accordingly.
- (13) 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 its publication in the *Official Journal of the European Union*,

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<sup>8</sup> Regulation (EU) 2017/825 of the European Parliament and of the Council of 17 May 2017 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 (OJ L 129, 19.5.2017, p. 1.).

HAVE ADOPTED THIS REGULATION:

*Article 1*

Regulation (EU) 2017/825 is amended as follows:

- (1) Article 4 is replaced by the following:

‘Article 4

General objective

The general objective of the Programme shall be to contribute to institutional, administrative and growth-sustaining structural reforms in the Member States by providing support to national authorities for measures aimed at reforming and strengthening institutions, governance, public administration, and economic and social sectors in response to economic and social challenges, with a view to enhancing cohesion, competitiveness, productivity, sustainable growth, job creation, investment and ***social inclusion and to contributing to real convergence in the Union***, which *may* also prepare for participation in the euro area, in particular in the context of economic governance processes, including through assistance for the efficient, effective and transparent use of the Union funds.’;

(2) *the following* Article is *inserted*:

‘Article 5a

Support for preparation for euro area membership

*With a view to pursuing the objectives set out in Articles 4 and 5, and within the eligible actions referred to in Article 6, the Programme may finance actions and activities also in support of reforms that may help Members States in their preparation to join the euro area.’;*

(3) Article 10 is amended as follows:

(a) paragraph 1 is replaced by the following:

‘1. The financial envelope for the implementation of the Programme is set at EUR 222 800 000 in current prices.’;

(b) in paragraph 2, the following sentence is added:

‘Expenses may also cover the costs of other supporting activities, such as quality control and monitoring of support projects on the ground.’;

(4) *in Article 16(2) the following point is added:*

*‘(f) implementation of support measures.’.*

*Article 2*

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

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at ...,

*For the European Parliament*

*For the Council*

*The President*

*The President*

JOINT STATEMENT BY THE EUROPEAN PARLIAMENT, THE COUNCIL AND THE  
COMMISSION

As regards financing the increase of the financial envelope for the Structural Reform Support Programme and without prejudice to the powers of the budgetary authority, the European Parliament, the Council and the Commission have agreed as follows:

1. EUR 40 million will be financed through the budget line of the SRSP located in Heading 1b (13.08.01) of the MFF (Economic, social and territorial cohesion) by mobilising the Global margin for commitments in accordance with Article 14 of the MFF Regulation (EU, Euratom) No 1311/2013 in the framework of the budgetary procedure pursuant to Article 314 TFEU;
2. EUR 40 million will be financed through the budget line of the SRSP located in Heading 2 (13.08.02) of the MFF (Sustainable Growth: Natural Resources) by redeployments other than technical assistance and Rural Development within this Heading and without having recourse to the margins. The exact sources for such redeployments will be further specified in due course having regard to the negotiations of the budgetary procedure for the 2019 budget.

## STATEMENT BY THE COMMISSION

(to be published in the C series of the OJ)

The Commission will identify and propose redeployments of EUR 40 million in Heading 2 of the MFF (Sustainable Growth: Natural Resources) in the amending letter to the draft general budget 2019.

The Commission intends to propose the mobilisation of the Global Margin for Commitments in accordance with Article 14 of the MFF Regulation (EU, Euratom) No 1311/2013 in the framework of the budgetary procedure for 2020 pursuant to Article 314 TFEU.

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