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European Economic and Social Committee

ECO/472

Reform Support Programme

OPINION

European Economic and Social Committee

**Proposal for a Regulation of the European Parliament and of the Council on the establishment of
the Reform Support Programme**

[COM(2018) 391 final – 2018/0213 (COD)]

Rapporteur: **Petr ZAHRADNÍK**

Consultation	European Parliament, 14/06/2018 Council of the European Union, 27/06/2018
Legal basis	Articles 175 third subparagraph and 304 of the Treaty on the Functioning of the European Union
Section responsible	Economic and Monetary Union and Economic and Social Cohesion
Adopted in section	03/10/2018
Adopted at plenary	17/10/2018
Plenary session No	538
Outcome of vote (for/against/abstentions)	194/3/7

1. **Conclusions and recommendations**

- 1.1 The EESC welcomes and endorses the rationale behind the establishment of the Reform Support Programme, which is intended to encourage the EU Member States to implement major structural reforms, to consider structural reforms as a complex activity and to serve as a complementary tool for achieving the reforms on a voluntary basis. The EESC proposes that, when carrying out structural reforms with the support of the programme, the social impact and consequences also be monitored at Member State level.
- 1.2 The EESC is in favour of a strong linkage between the Reform Support Programme and the European Semester. At the same time, it is convinced that the success of structural reforms should also be reflected in the medium term in economic convergence trends within the EU. The EESC also believes that the linkage between the Reform Support Programme and the European Semester could be even greater and more direct than provided for in the proposal for a Regulation.
- 1.3 The EESC believes that, in order to launch the Reform Support Programme successfully and obtain the expected benefits, better responses are needed to a number of still open questions, for which the European Commission has not provided entirely clear explanations.
- 1.4 In line with the new design of the EU's Multiannual Financial Framework for the 2021-2027 period, which also requires the achievement of significant synergies between its various chapters, the EESC is convinced of the need to develop the programme's potential further in order to ensure that these synergies can actually be achieved. The EESC would welcome the development of a practical manual that would make it easier for beneficiaries to discover possible combinations of different chapters of the future Multiannual Financial Framework, bearing in mind that this is a completely new aspect of the operation of the MFF. As part of the desired strengthening of synergies, the EESC also recommends introducing the option of directly linking funds from the programme to the corresponding operational programme under cohesion policy.
- 1.5 The EESC also recommends that the procedures for evaluating the success of reforms (and therefore also the conditions for the actual disbursement of funds under the programme) be further clarified and defined. At the same time, the EESC believes that organised civil society can play a particularly active role in obtaining agreement between the European Commission and the Member States on the content of reform programmes. In this context, the EESC welcomes the close linkage planned between the programme and the National Reform Programmes. It also recommends here conducting a thorough follow-up of the staging of reforms and effectively addressing the potential risk of moral hazard. The EESC thinks it highly desirable to create a platform for cooperation between Member States on matters relating to the form and nature of structural reforms.

- 1.6 The EESC believes that there is a need for structural reforms not just at the level of individual Member States but also at the level of the EU as a whole, since these reforms have cross-border or often even pan-European repercussions. As the programme is designed to be managed centrally, the EESC regrets that it cannot be used for structural projects of pan-European importance, and it recommends that the programme be extended to include reforms of this kind.
- 1.7 The EESC is not entirely convinced that the retrospective payment of funds (especially given that the payment may be made several years after the implementation of the reform) provides sufficient motivation for a Member State to carry out a structural reform.

2. General context of the proposal and key facts

- 2.1 One of the most significant long-term barriers to stronger and more convincing economic growth in the EU is the existence of a number of structural failures and imbalances, which must be resolved by thoroughly implementing structural reforms¹. The recent economic crisis has allowed some of these to be identified all the more easily. It has also led to a criterion being established by which to gauge the success of implemented reforms. In order to secure the programme's success, it would also be helpful to draw lessons from reforms that have proved unsuccessful or poorly prepared, with serious economic and social consequences, and to avoid such practices in the future.
- 2.2 Structural reforms are economic policy measures that shape in a lasting way the basic key parameters of the economic structure and the related institutional and legal framework. Their aim is to remove existing obstacles, as well as to introduce completely new economic policy instruments reflecting current and future trends. The form of – and the need for – structural reforms vary across different EU countries².
- 2.3 The proposed Reform Support Programme follows on from the Structural Reform Support Programme instrument³, which was introduced in 2017 and mainly consisted of technical assistance. However, it will have considerably more funding and a more developed support scope.
- 2.4 The Reform Support Programme can be seen as an essential contribution to the EU budget – in keeping with the spirit of its current innovation – aimed at delivering European added value, improving flexibility, developing synergies between its chapters, and simplifying processes. This contribution should be reflected in the form of higher levels of investment activity in the

¹ In its opinions the EESC takes as a starting point the definition of structural reforms as formulated in its opinion on Completing EMU – The next European legislature, [OJ C 451, 16.12.2014, p. 10](#).

² A description of the link between structural reforms and the other elements of economic policy in the EU can be found in EESC opinions on: Euro area economic policy 2017 (additional opinion), [OJ C 81, 2.3.2018, p. 216](#), and Euro area economic policy 2017, [OJ C 173, 31.5.2017, p. 33](#).

³ See EESC opinion on Support to structural reforms in the Member States, [OJ C 237, 6.7.2018, p. 53](#).

long term, when the European Semester process should be both the test and the main focal point for assessing the adequacy of structural reforms⁴.

- 2.5 The Reform Support Programme should therefore not be viewed in isolation, but rather as a new component of a complex mosaic of instruments for the future EU budget, with which it is to demonstrate a high degree of synergy, particularly as regards cohesion policy and Europe's role in stabilising investment.
- 2.6 Moreover, the programme was announced in December 2017 as part of the introduction of new budgetary instruments aimed at stabilising the euro area. However, the proposal in no way favours euro area members over non-members, even though this programme was supposed to be one of the variants of a compromise alternative to the introduction of a separate budget for the euro area.
- 2.7 The Reform Support Programme proposes three instruments:
- a reform delivery instrument in the form of a financial support instrument (with a budget allocation of EUR 22 billion);
 - a technical support instrument (directly linked to the Structural Reform Support Programme; EUR 0.84 billion);
 - a convergence facility for non-euro area Member States (EUR 2.16 billion).
- 2.8 The programme's key objective is to support governments and the public sector in the Member States in their efforts to design and implement structural reforms. It aims to contribute to the sustainable growth of the EU economy and deliver on the European Pillar of Social Rights.

3. **General comments**

- 3.1 The EESC believes that the reasons for proposing the creation of an investment support scheme are entirely relevant and, likewise, the functioning of the programme in practice should be beneficial. At the same time, however, the EESC is convinced that the proposal contains a large number of questions that are not clearly answered and explained, and that it is crucial to provide more convincing and unequivocal responses before putting the programme fully into practice.
- 3.2 The EESC calls for a more specific and illustrative indication of possible synergies with, for example, cohesion policy, which are called for in both the proposal for the MFF regulation and the proposal for a Common Provisions Regulation (CPR) for the seven funds.

⁴ See EESC opinion on EU finances by 2025, [OJ C 81, 2.3.2018, p. 131](#).

- 3.3 The success or failure of a given reform measure often only plays out over a period of time that can easily exceed both the three-year time limit for implementing the reform and the subsequent five-year durability period. The EESC wonders how the programme will evaluate the success of reforms that ought to receive support but whose results only become apparent over a very long period of time. Against this background, the EESC is also interested in how any potential disputes between the European Commission and a Member State, with regard to whether the reform proposal is correct and the reform has been successful, will be resolved. Also in this connection, the EESC recommends the creation of a platform for cooperation between Member States on matters relating to the nature of structural reforms.
- 3.4 The EESC believes that civil society organisations could very much help to achieve a consensus on reforms between the European Commission and the Member States, as in many respects they are impartial and therefore able to provide an objective opinion as well as being knowledgeable as to the issues. They also constitute a bridge that can prevent possible conflicts and, where necessary, resolve them.
- 3.5 The EESC welcomes the declared correlation with the European Semester process, and considers that the reciprocal relationship could be even more direct. This could be reflected, for example, in how the financial allocation for a reform tool is determined. The EESC notes that the sole criterion for this purpose is the population of the Member State concerned. Nevertheless, the Committee recommends that the possibility also be considered of using a multiple-criteria matrix, taking into account the extent of the need for structural reforms in the light of conditions in a given Member State.
- 3.6 The proposal for a regulation states that the European Commission will ensure that the activities of this programme complement other programmes under the next EU budget. The EESC recommends developing a more detailed explanatory manual on how this is to be done, as it feels that synergies must be achieved in EU funding. This is particularly relevant in relation to the common provisions for the seven funds (and in particular those relating to cohesion policy instruments), while consistency should also be maintained when it comes to setting the enabling conditions. (The EESC recommends that the programme should focus on implementing these as a matter of priority as part of the reform effort.).
- 3.7 The EESC very much welcomes the proposed consistency and linkage between the programme and the National Reform Programmes, which the Member States draw up and submit to the European Commission as part of their obligations in connection with the European Semester.
- 3.8 The EESC regrets that the structural reforms in the draft programme are tied exclusively to the specific needs of the Member States and do not involve structural reforms with a cross-border or even pan-European reach. It regrets even more the fact that the programme is designed to be centrally managed. Given that the programme requires an extremely high degree of interaction on the part of the Member States (which will in practice implement it), the question arises as to

why this programme is designed to be managed centrally and not implemented by means of shared management.

- 3.9 The EESC endorses the list of activities and reform commitments (Article 6 of the proposal), understands its value and considers it to be a fully representative platform for selecting a measure that meets the specific conditions of the Member State. However, in this context, the EESC recommends defining what is meant by structural reform⁵ for the purposes of this programme, particularly in order to prevent unnecessary overlaps with reform activities supported by other chapters of the EU budget.
- 3.10 The EESC also agrees with the list of criteria that a Member State must fulfil under the programme for the reform commitments to be recognised (Article 11 of the proposal).
- 3.11 However, the EESC has doubts as to whether the programme is a real incentive for the implementation of structural reforms. Its concern is based on the fact that the funding can be paid even up to three years after the reform commitments have been fulfilled. The EESC feels that a one-off funding payment long after the reform activities began is not a very motivating tool.

4. **Specific comments**

- 4.1 If it is the case that funding of support under this programme is not linked to the costs the proposed reforms occasion and require, the EESC calls for very careful monitoring by experts of the acceptance of reform commitments and the final evaluation of the compliance of structural reforms with conditions relating to macroeconomic and fiscal discipline.
- 4.2 The EESC calls for an explanation of the idea put forward in the proposal that the programme is intended to offset the high political costs incurred in the short term in the case of some structural reforms and to remove the obstacles associated with these reforms.
- 4.3 The EESC recommends establishing clearer and more detailed rules for evaluating the amendments carried out of the reform commitments (Article 13 of the proposal).
- 4.4 The EESC recommends paying attention to the staging of reforms over time, whereby implementation of reform can be timed in line with the receipt of support from the programme, and the problem of moral hazard this entails. The EESC also recommends that attention be paid

⁵ See again the EESC opinions on: Euro area economic policy 2017 (additional opinion), [OJ C 81, 2.3.2018, p. 216](#), and Euro area economic policy 2017, [OJ C 173, 31.5.2017, p. 33](#).

to possible cases where the programme is supporting reforms that have already been implemented.

- 4.5 The proposal for a regulation opens up the possibility that, for example, some of the funds allocated to cohesion policy could be transferred to this programme. The EESC also favours the option of transferring or merging in the opposite direction, where the funds from the programme could be directly linked to the relevant operational programme under cohesion policy.
- 4.6 With regard to the technical support instrument, the EESC appreciates the direct continuity with the Structural Reform Support Programme and the use of opportunities for tailored support for structural reform efforts (which is different, for example, from technical support under cohesion policy).
- 4.7 In the case of the convergence facility, the EESC notes that some non-euro area EU Member States are structurally better prepared to join than some of its existing members. Their main obstacle is not economic (often higher GDP growth coupled with a high degree of real convergence, exemplary fiscal discipline, external balance surplus or low unemployment) but political (which, however, the convergence facility is incapable of influencing).
- 4.8 The EESC also asks for a more detailed explanation as to whether the nature of the reform commitment differs somehow in the convergence facility as compared with the reform delivery tool.

Brussels, 17 October 2018

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President of the European Economic and Social Committee
