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COM(2018) 391 final

2018/0213 (COD)

Proposal for a

**REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL**

**on the establishment of the Reform Support Programme**

{SEC(2018) 280 final} - {SWD(2018) 310 final} - {SWD(2018) 311 final}

## **EXPLANATORY MEMORANDUM**

### **1. CONTEXT OF THE PROPOSAL**

This proposal provides for a date of application as of 1 January 2021 and is presented for a Union of 27 Member States, in line with the notification by the United Kingdom of its intention to withdraw from the European Union and Euratom based on Article 50 of the Treaty on European Union received by the European Council on 29 March 2017.

#### **• Reasons for and objectives of the proposal**

Structural reforms are changes that modify - in a lasting way - the structure of economy and the institutional and regulatory framework in which businesses and people operate. They often aim at tackling obstacles to the operation of the drivers of growth by, for example, reorganising the markets for labour, products and services and financial markets, thereby encouraging job creation, investment and productivity. They can also aim at improving the efficiency and quality of the public administration and of the services and benefits offered by State to its citizens.

If well-chosen and implemented, structural reforms can accelerate the process of upward social and economic convergence among the Member States, both inside and outside the euro area, and strengthen the resilience of their economies. The effects of such convergence and strengthening of resilience are expected to lead to greater prosperity and to smooth and stable functioning of the Economic and Monetary Union (EMU) as a whole. Effective implementation of structural reforms is necessary to enhance cohesion, raise productivity, create jobs, encourage investment and ensure sustainable growth.

Europe's economy is growing at its fastest pace in a decade, supported by record high employment, recovering investment and improved public finances. The current Union-wide economic situation is relatively positive, which provides a window of opportunity to put in place much needed reforms. However, implementation of reforms has been advancing slowly and unevenly across Member States, and it has not been satisfactory across all policy areas, leading to adverse impacts on convergence and on the resilience of the economies of the European Union Member States and therefore of the Union as a whole. In that context, making progress on the implementation of reforms in non-euro-area Member States on their way to joining the euro area could have positive impacts on the euro area as a whole. Therefore, implementation of reforms by non-euro-area Member States, which are taking steps to adopt the euro, deserves particular attention.

One reason for the slow implementation of reforms is low administrative capacity. Another reason is that the benefits of structural reforms often materialise only over the long term, while their economic, social and political costs are often incurred in the short term. National governments might therefore refrain from carrying out some reforms due, for instance, to insufficient administrative capacity to conduct reforms, high political costs in the short term or adverse effects on some segments of the population. Governments that do embark on reforms sometimes find it difficult to see the reforms through to the end because the duration of an electoral cycle is often shorter than the time needed for the implementation of major reforms. As a consequence, necessary reform efforts may be delayed, abandoned or even reversed.

The Juncker Commission, building upon the vision set out in the Five Presidents' Report, has focussed the Commission's priorities in the European Semester process on the "virtuous triangle" of boosting investment, pursuing structural reforms, and ensuring responsible fiscal policies.

To promote structural reforms, President Juncker's 2017 State of the Union Address, together with the Reflection papers on the deepening of the Economic and Monetary Union and the future of the Union's finances, suggested building on the Commission's Structural Reform Support Programme (SRSP) and proposed a dedicated instrument, the Reform Delivery Tool, to provide financial incentives to Member States to carry out reforms.

Achieving more convergence towards resilient economic structures was also highlighted as being equally important for those Member States preparing to join the euro area.

Those political orientations materialised in a Commission Communication on new budgetary instruments for a stable euro area within the Union framework (6 December 2017). It proposed the creation – under the post-2020 Multiannual Financial Framework (MFF)<sup>1</sup> – of a new reform delivery tool to support the implementation of reforms identified in the context of the European Semester and a follow-up programme to the SRSP, which would also include a dedicated convergence facility to support preparation for euro-area membership. The Commission's Communication on a new, modern MFF post-2020<sup>2</sup>, prepared ahead of the Informal Leaders' meeting of 23 February 2018, confirmed that intention by announcing that the reform delivery tool and the convergence facility would need to provide strong support and incentives for a broad range of reforms across Member States. It also indicated that there would be a budget line for all instruments in the order of at least EUR 25 billion over a seven-year period.

Lastly, the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions "A Modern Budget for a Union that Protects, Empowers and Defends - The Multiannual Financial Framework for 2021-2027"<sup>3</sup> of 2 May 2018 confirmed that choice. It announced a new, strong Reform Support Programme, which would offer technical and financial support for reforms at national level with an overall budget of EUR 25 billion. The new programme will be separate from but complementary to the future Union funds as defined in Regulation (EU) XXX/xxx (CPR successor)<sup>4</sup>.

Against that background, the Commission is proposing a new Reform Support Programme (the Programme), which includes three separate complementary instruments: (i) the reform delivery tool, in the form of a financial support instrument; (ii) a follow-up programme to the SRSP, in the form of a technical support instrument; and (iii) a convergence facility, to provide specific and targeted support to non-euro-area Member States (also referred to as a

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<sup>1</sup> Communication from the Commission to the European Parliament, the European Council, the Council and the European Central Bank, new budgetary instruments for a stable euro area within the Union framework, COM(2017) 822 final

<sup>2</sup> Communication from the Commission to the European Parliament, the European Council and the Council, A new, modern Multiannual Financial Framework for a European Union that delivers efficiently on its priorities post-2020, COM(2018) 98 final

<sup>3</sup> Communication from the Commission to the European Parliament, the European Council and the Council, the European Economic and Social Committee and the Committee of the Regions, a modern budget for a Union that protects, empowers and defends, SWD(2018) 171 final

<sup>4</sup> OJ C , , p. .

"convergence facility"). The Programme thus aims to support Member-State governments and public authorities, upon their request for technical support or upon their submission of proposals for reform commitments, in their efforts to design and implement growth-sustaining structural reforms. The Programme is intended to contribute to the overall objective of enhancing cohesion, competitiveness, productivity, growth, and employment. It could also have a positive impact on the realisation of the European Pillar of Social Rights. For those purposes, it should provide sufficient financial incentives for the accomplishment of reforms of a structural nature and technical support to strengthen the administrative capacity of the Member States in relation to challenges faced by institutions, governance, public administration, and economic and social sectors.

With that objective in mind, targeted technical support and financial incentives will be provided to all Member States, including – in the context of the convergence facility – those Member States whose currency is not the euro and which have taken demonstrable steps towards adopting the single currency within a given time-frame.

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

The Programme will be consistent with existing policies carried out under the Union funds and other Union programmes. Furthermore, the Programme builds up on the current experience of the SRSP.

Under the current MFF and the existing sectoral legislation, several instruments are available at Union level to support the implementation of structural reforms. On the policy side, the policy recommendations provided by the Union under the European Semester help to identify reform priorities and reach political agreement on thereon with Member States. In addition, the SRSP provides technical support to Member States for the preparation, design and implementation of structural reforms, while the Union funds programmes finance investment-project-related elements in the policy areas addressed by the Union funds. The legal framework of the Union funds requires thematic concentration of funding and sets a number of enabling conditions prior to the disbursement of funds. While it is foreseen that the link between the Union funds and the European Semester will be further strengthened in the new MFF and although those actions under the Union funds are instrumental for achieving the cohesion policy objectives and ensuring the effectiveness of these funds, they are not necessarily sufficient to address the obstacles to more rapid implementation of structural reforms in Member States.

#### *Reform Delivery Tool*

The Programme, as an instrument for providing financial contributions to Member States, will provide financial incentives for the implementation of reforms in Member States, while ensuring consistency with actions financed under other existing Union programmes. To date, funds to support the implementation of investment-related actions linked to structural reforms in Member States are mainly available through the Union funds. However, while the Union funds can provide support to the investment components of some structural challenges relevant to cohesion policy, they are not intended for promoting the design and implementation of structural reforms to tackle challenges in all policy areas identified in the European Semester in their entirety. In addition, the Union funds cannot finance reforms that are purely regulatory and have no implementation or investment costs.

Many of the structural challenges facing Member States cannot be addressed solely through investments or strict technical implementation of a programme; they may require a complex

mixture of policy actions and legislation, investments and improvements in the governance of institutions and systems. Structural reforms may also involve high political costs in the short term, which can prevent or slow down their implementation. In that respect, financial incentives from the Union budget may help overcome such obstacles and, combined with technical support or on a standalone basis, may help ensure political ownership of the reforms. A more in-depth dialogue between the Commission and the competent national authorities may encourage Member States to design and implement a comprehensive set of reforms.

The Reform Support Programme, as an instrument to provide financial support, will allow for the provision of such financial incentives and it is, therefore, consistent with the measures under other Union financing programmes.

#### *Technical support instrument*

The Programme, as an instrument to provide technical support, allows the Commission to support Member-State authorities in their efforts to design reforms according to their own priorities and enhance their capacity to develop and implement reform policies and strategies, as well as benefitting from good practices and examples of peers. The technical support instrument builds on the success of the SRSP, which has experienced demand as high as four (in 2017) and five (in 2018) times its annual available budget in the two selection rounds during its implementation so far. It focuses on the provision of tailor-made support and expertise on the ground, to ensure that the Member States have the necessary institutional and administrative capacity to implement reforms. To that end, it aims to accompany the national authorities of the requesting Member States throughout the reform process or in defined stages or different phases of that process. The technical support instrument under the Programme, designed as a continuation of the existing SRSP, is consistent, coherent and complementary to the existing resources for capacity building and technical assistance, which are available within other Union financing programmes. The technical support adds value to the existing assistance provided by the various sectoral Union programmes and the actions carried out under the Union funds, since it offers a country-specific perspective, while supporting the most important actions undertaken in Member States in line with the key policy objectives of the Union.

#### *Convergence facility*

The Programme, as a convergence facility for preparation for euro-area membership, will allow the Commission to cater for the specific needs of non-euro-area Member States that embark on structural reforms, by offering additional tools for making their economies and social structures more resilient to shocks and better preparing them for euro-area membership. The convergence facility will come on top of the reform delivery tool that is available to all Member States. Currently, there are no instruments that provide direct financial incentives for the implementation of structural reforms in all Member States, let alone non-euro-area Member States. While Member States that are not in the euro area benefit from the Union funds, the latter are not intended to address major structural reforms that would underpin economic resilience and thereby help such Member States prepare comprehensively for future membership in the euro area. Through the provision of targeted support for non-euro-area Member States that have taken demonstrable steps to adopt the single currency within a given time-frame, the Reform Support Programme is expected to accelerate the process of convergence in those Member States, thereby contributing to the fulfilment of the convergence criteria and to the resilience of the euro area as a whole.

As regards consistency with other provisions and policies, the Programme provides for complementarity, synergies, coherence and consistency with other Union programmes and policies at regional, national, Union and international levels, notably by complementing the policy guidance provided under the European Semester and by helping to leverage the use of the Union funds.

The Commission will ensure that the actions proposed for implementation under the Programme are complementary to and do not overlap with other Union programmes and funds (the Union funds in particular), based on clear demarcation lines. In addition, coordination for all three instruments with respect to other Union programmes and Union funds will continue to be ensured via the governance of the various instruments within the internal working arrangements of the Commission. In particular, this will be achieved through the already-existing coordination mechanism involving representatives of the Commission services concerned. Decisions to provide support to a Member State will, *inter alia*, take into account the existing actions and measures financed by the Union funds and programmes. The coordination mechanism will be strengthened to reflect the increased need for complementarity, synergy, coherence and consistency among several programmes under the MFF, in particular with a view to, on the one hand, carrying out the process of programming of the Union funds under shared management, and, on the other hand, selecting reforms under the Programme, so as to maximise the efficiency and effectiveness of the Union actions and resources.

As regards financial incentives, the fact that the reforms benefitting from financial contributions from the Programme will be identified in the context of the existing European Semester process will be instrumental for ensuring additionality and for avoiding the provision of support to reforms that would have happened in any case. In addition, the monitoring of the implementation of those reforms within the European Semester will provide additional safeguards to that effect.

- **Consistency with other Union policies**

The proposal is consistent with and provides for complementarity and synergies with the other Union policies such as those pursued through the European Semester, which focuses on the "virtuous triangle" of boosting investment, pursuing structural reforms, and ensuring responsible fiscal policies. Furthermore, the Programme builds upon the proposals made in the Reflection Paper on the Deepening of the Economic and Monetary Union<sup>5</sup>, and is in line with the 2017 State of the Union address (and the annexed Letter of Intent) made by President Juncker to the European Parliament on 13 September 2017, which outlined proposals for the deepening of the Economic and Monetary Union. The proposal can also contribute to the realisation of the European Pillar of Social Rights.

The reform delivery tool and the convergence facility were proposed by the Commission in its Communication of 6 December 2017<sup>6</sup> as new budgetary instruments and part of a package of initiatives to deepen the Economic and Monetary Union.

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<sup>5</sup> Reflection Paper on Deepening the Economic and Monetary Union COM(2017) 291, 31 May 2017

<sup>6</sup> Communication from the Commission to the European Parliament, the European Council, the Council and the European Central Bank, new budgetary instruments for a stable euro area within the Union framework, COM(2017) 822 final

The Programme is an effective way of providing support through both financial and technical means to Member States to implement structural reforms, which can in turn underpin the implementation of other Union policies. The reform process is complex, often politically costly, requires expertise on different areas simultaneously, and may have a cross-border impact. Union support under the Programme should contribute to enhancing the ability to undertake in-depth growth-enhancing reforms across a wide range of policy sectors across Member States with positive spillover impacts across the Union.

Consistency and coherence with other Union policies will be pursued, on one hand, through the appropriate regulatory provisions on complementary funding contained in the various legislative acts establishing the various Union programmes and Funds and, on the other hand, through an enhanced internal coordination among the services involved in Union policies having complementary aspects, with a view to reaping synergies and reinforcing each other. Furthermore, the Programme builds on the current experience of the SRSP.

## **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.

In view of Articles 175 and 197 TFEU, the Programme is aimed to contribute to enhancing cohesion, competitiveness, productivity, growth, and employment, and, in this context, can decisively contribute to: (i) the completion of reforms of a structural nature aimed at improving the performance of the national economies and at promoting resilient economic and social structures in the Member States; (ii) strengthening the administrative capacity of the Member States in relation to challenges faced by institutions, governance, public administration, and economic and social sectors; and (iii) the completion of reforms of a structural nature that promote resilient economic and social structures and to strengthening the administrative capacity in the Member States, whose currency is not the euro and which have stated clear commitment and taken demonstrable steps to adopt the single currency within a given time-frame, in order to support preparation for participation in the euro area.

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

The funding of the proposed activities through the envisaged Programme respects the principles of European added value and 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 overall objectives of the Programme are the enhancement of cohesion, competitiveness, productivity, growth, and job creation. For that purpose, it should provide financial incentives for addressing challenges of a structural nature, and should help to strengthen the administrative capacity of the Member States insofar as their institutions and economic and social sectors are concerned.

The underlying logic of the Programme is such that it is provided on a voluntary basis. As a result, each Member State itself decides whether action at Union level is necessary, in light of the possibilities available at national, regional or local level. The implementation of reforms remains a national competence and the Member States are involved throughout the whole process in the reform delivery tool.

The implementation of structural reforms is a matter of common interest for the Union and the euro area, as reforms help strengthen the resilience not only of the economies concerned but also of the Union and the euro area as a whole.

As regards the reform delivery tool, the Programme is a direct response to the weak and uneven implementation of the structural reforms in Member States, in particular in relation to challenges identified in the European Semester. In that respect, the Commission is best placed to take the initiative at the Union level as it benefits from comprehensive country-specific knowledge about reform implementation in the Member States and has the expertise to determine, together with the Member States concerned, the important challenges that need to be addressed. The agreement on reform packages between the Commission and the Member State (as endorsed in an appropriate implementing act) will enhance national ownership, since the original proposal for reform commitments will emanate from the Member State concerned and will be a "home-grown", country-driven product. This also implies continuous policy dialogue between the Commission and the Member State concerned. The duration of this instrument over the whole of the next MFF ensures continuity in the reform efforts, so that Member States can decide on the appropriate time to apply for financial support.

As regards the technical support instrument (the continuation of the SRSP), the Commission is uniquely placed to take action at the Union level. Since the inception of the SRSP, it has established (and therefore already benefits from) a Union-wide database of expertise; it is in the best place to enable sharing of best practices; and it can create synergies to address reform efforts in various Member States and to address cross-country challenges. At the same time, the coordination of the support provided by the Commission ensures a comprehensive provision of expertise, sharing of good practices and support at various stages of the reform process. In addition, by developing synergies across Member States, the action at the Union level provides for a contribution to addressing cross-border or Union-wide challenges.

As regards the convergence facility, the latter aims to increase resilience of non-euro-area economies by fostering real convergence. The latter is crucial not only for those Member States but also for the prosperity of the Union as a whole and, in particular, for the smooth transition to and functioning of the euro area. In addition, the instrument brings targeted technical support for administrative capacity with respect to the preparation for membership in the euro area. Action at Union level is thus necessary to achieve that objective.



Those goals, namely addressing reforms challenges of structural nature, which will help strengthen the resilience of the economics concerned, of the Union and the euro area, and strengthening the administrative capacity of the Member States, cannot be achieved to a sufficient degree by the Member States acting alone, while the Union's intervention can bring an additional value by establishing a Programme that can incentivise financially and support technically the design and implementation of structural reforms in the Union.

- **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 which is necessary for that purpose. The support to be provided under the three instruments, which constitute the Programme for the period 2021 to 2027, is to be based on a voluntary request stemming from the Member State itself. The voluntary character of the Programme and the consensual nature of the cooperation throughout the entire process constitute an additional guarantee for respecting the proportionality principle and for the development of mutual trust and cooperation between the Member States and the Commission.

- **Choice of the instrument**

The goals described in the preceding sections cannot be reached through a harmonisation of legislations, or by voluntary action of the Member States. Only a regulation would allow them to be achieved.

### **3. RESULTS OF EX-POST EVALUATIONS, STAKEHOLDER CONSULTATIONS AND IMPACT ASSESSMENTS**

- **Ex-post evaluations/fitness checks of existing legislation**

The reform delivery tool and the convergence facility are new proposals, which have therefore not yet been subject to ex-post evaluations/fitness checks.

The technical support instrument is a continuation of the existing 2017-2020 Structural Reform Support Programme, based on the Regulation (EU) 2017/825<sup>7</sup> which entered into force on 20 May 2017. Implementation of the SRSP began with the adoption of the 2017 Annual Work Programme<sup>8</sup> in September 2017 and has continued with the adoption of the 2018 Annual Work Programme<sup>9</sup> in March 2018. In accordance with Article 16 of Regulation (EU) 2017/825, by mid-2019, the Commission will provide the European Parliament and the Council with an annual monitoring report on the implementation of the Programme and an independent evaluation report.

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<sup>7</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) 1305/2013, (OJ L 129, 19.5.2017, p.1)

<sup>8</sup> Annex to Commission Implementing Decision on the adoption of the work programme for 2017 and on the financing of Structural Reform Support Programme and repealing Decision C(2017)3093, 2017, C(2017)5780 final

<sup>9</sup> Annex to Commission Implementing Decision on the adoption of the work programme for 2017 and on the financing of Structural Reform Support Programme, 2018, C(2018) 1358 final

Even if, from a regulatory viewpoint, it is too soon to have a formal evaluation, some evidence exists from the earlier provision of technical support for structural reforms notably to Greece, under the Task Force for Greece (TFGR).

### **Task Force for Greece (TFGR)**

The technical support for structural reforms provided to Greece by the Commission services, and coordinated by the TFGR, was subject to both internal and external evaluations, which provided useful lessons for the design of the Programme. The Commission is currently also carrying out an ex-post external evaluation of the technical support delivered to Greece.

The technical support provided under TFGR was subject to an evaluation carried out by an independent consultancy in July 2014.<sup>10</sup> Overall, that evaluation concluded that technical assistance 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. That 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.

In addition, a performance audit was conducted in 2015 by the European Court of Auditors to assess how effectively the TFGR had managed assistance to Greece and whether it had contributed positively to the process of reform implementation in Greece (limited to the economic adjustment programme). The Court of Auditors concluded that, overall, the TFGR had been successful in achieving its mandate – providing relevant technical assistance in areas covering almost the entire spectrum of public policy, which was largely in line with the conditions of the economic adjustment programme.

Some shortcomings were identified by the Court of Auditors, notably the lack of a dedicated budget, the lack of a comprehensive strategy and the lack of systematic monitoring of the results. Those shortcomings were subsequently addressed within the SRSS and in the design of the 2017-2020 SRSP.

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

Prior to the proposal for the SRSP in November 2015, which became Regulation (EU) 2017/825, the Commission carried out an ex-ante evaluation to assess the challenges and problems faced in relation to reform design and implementation in the Union, the possible solutions thereof, and therefore, in turn, the objectives of the SRSP and possible delivery mechanisms. The ex-ante evaluation concluded that the lack of reform implementation in the Member States limited the Union's capacity to respond to shocks, and notably limited the resilience of the EMU, which is necessary to ensure convergence among Member States and within their societies. According to the ex-ante evaluation, the main drivers of such challenges are limited administrative and institutional capacities and inadequate application and implementation of Union legislation.

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<sup>10</sup> Alvarez & Marsal Taxand, Adam Smith International, "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", 2014

- **Stakeholder consultations**

For the purpose of the open public consultation under the better regulation requirements, the SRSP was included in the "cohesion cluster", which covered questions in the following areas: regional policy, employment and social affairs, social inclusion, vocational education and training, research and innovation, business and industry, energy, justice and fundamental rights, migration and asylum, transport, rural development, digital economy and society, climate action, maritime affairs and fisheries, structural reforms, and youth.

In the relevant questionnaire, the current SRSP was not explicitly mentioned as one of the funding programmes under the "cohesion cluster"; therefore, the questions had only limited relevance for the design of the Programme. However, some of the results of the public consultation may still be relevant (i.e. the responses to questions specifically mentioning the implementation of (structural) reforms in the Member States).

In the context of the "EMU package" of 6 December 2017 on the deepening of the Economic and Monetary Union, the Commission announced the intention to create a new reform delivery tool for the period after 2020, to support the implementation of national reforms identified within the European Semester process of economic policy coordination, and the rollout of a pilot (through the amendment of the Common Provisions Regulation<sup>11</sup>) to test that idea already during the current programming period. In this context, the Commission decided to organise technical workshops in each Member State. The purpose of the workshops was two-fold: to collect Member States' views and interest in the pilot of the reform delivery tool; and to gather ideas on the design of the future reform delivery tool and possible type of reforms that could benefit from this instrument.

The feedback received from the Member States on the reform deliver tool was included in the Impact Assessment as stakeholder consultation.

- **Collection and use of expertise**

N/A

- **Impact assessment**

The proposal is supported by an Impact Assessment. The impact assessment considered the option that the current ongoing Union programmes would continue in the post-2020 period in its present form. In a context of an unchanged European Semester process, the SRSP would continue to provide technical support to the Member States under the current limited financial resources and the Union funds would remain the only Union investment instruments providing financing for the implementation of some structural reforms and providing encouragement to some reforms through the existing linkages between the Union funds and the European Semester.

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<sup>11</sup> Regulation of the European Parliament and of the Council amending Regulation (EU) No 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 as regards support to structural reforms in Member States, COM/2017/0826 final - 2017/0336 (COD)

The existing instruments at Union level have not managed to provide sufficient incentives to substantially accelerate the undertaking and the pace of implementation of structural reforms. As a result, they have not managed to reduce vulnerability to shocks; nor do they provide targeted support for the implementation of reforms in the non-euro-area Member States. The Commission is therefore proposing a new instrument at Union level, which provides for the continuation of the SRSP, and adds financial incentives for encouraging the implementation of structural reforms through the envisaged reform delivery tool. In addition, a dedicated instrument targeting reforms in non-euro-area Member States, which have taken demonstrable steps towards adopting the single currency, is to be established to offer additional support for the implementation of reforms in prospective euro-area Member States and multiply the positive effects for non-euro-area Member States and the euro area as a whole. For this purpose, demonstrable steps would consist of a formal letter from the government of the Member State concerned to the Commission stating its clear commitment to join the euro area within a reasonable and defined timeframe and presenting a credible time-bound roadmap, after consultation with the Commission, for implementing concrete measures to prepare for successful participation in the euro area, including steps to ensure full alignment of its national legislation with the requirements under Union law (including the Banking Union).

The impacts of the Programme will mainly depend on the reforms that Member States propose and implement in the context of the reform delivery tool, or on the type of support that they will ask for and make use of in the framework of the technical support instrument.

Overall, the Programme is expected to benefit Member States' economies, strengthen resilience to shocks and also bring positive spillovers to other Member States. It is therefore expected to generate, in the longer term, positive impacts for economic growth across the Union, and improve national fiscal positions and debt-to-GDP ratios. The Programme is also expected to have a positive effect on employment by stimulating job creation across the Union. That effect can be generated, for example, through reforms of the labour market, in particular those increasing the skills and qualifications of the labour force and the adaptation of skills to market needs. The Programme can also have positive effects on income distribution, active labour market policies, social inclusion and social protection, by fostering the realisation of the European Pillar of Social Rights. It can also support reforms in the public administration at large, and the fight against tax evasion and corruption, which severely affect citizens and businesses, and undermine good governance and economic development.

The Programme is expected to bring advantages in terms of low administrative burden. Financial contributions from the reform delivery tool will be disbursed in the form of financing not linked to cost, thus minimising administrative and transaction costs, both for the Commission and for the Member States. In order to minimise administrative burden of the reform delivery tool and provide for simplification, monitoring of implementation of milestones and targets will be carried out within the European Semester process.

Administrative procedures related to the three technical support instruments will remain very light – e.g. as regards the technical support instrument, the submission of requests will remain simple and the required information will be limited to a minimum.

The Regulatory Scrutiny Board reviewed the draft impact assessment and delivered a positive opinion with reservations on 22 May 2018<sup>12</sup>. The issues raised by the Regulatory Scrutiny

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<sup>12</sup> <http://ec.europa.eu/transparency/regdoc/?fuseaction=ia>

Board were addressed in the revised version of the Impact Assessment Staff Working Document. The rationale and adequacy of the allocation key of the reform delivery tool has been explained (also with an example). The scope of the reform delivery tool was further clarified. The impact assessment was also further developed to evaluate co-financing and partial frontloading as an alternative delivery mechanism. Clarifications were also provided regarding potential risks associated with this mechanism (in terms of moral hazard, volume, and suspension, cancellation and recovery procedures). A specific annex in the Impact Assessment Staff Working Document further details the changes made following the Regulatory Scrutiny Board's opinion.

- **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 small and medium-sized enterprises or any other stakeholders. The Programme will be implemented via an electronic platform, which will be available for the Commission services and the Member States.

- **Fundamental rights**

The proposal has a positive effect on the preservation and development of Union fundamental rights, assuming that the Member States request and receive support in related areas. For example, support in areas such as migration, labour markets 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 Programme for the period 1 January 2021 to 31 December 2027 shall be EUR 25 billion (in current prices).

The indicative distribution of the aforementioned shall be: (i) up to EUR 22 billion for the reform delivery tool; (ii); up to EUR 840 million for the technical support instrument and (iii) up to EUR 2.16 billion for the convergence facility, of which up to EUR 2 billion for the financial support component and up to EUR 160 million for the technical support component. Where, by the end of 2023, an eligible Member State under the convergence facility has not taken demonstrable steps to adopt the single currency within a given time-frame, the amount available for that Member State under the financial support component of the convergence facility will be transferred to the reform delivery tool. The Commission will adopt a decision to that effect after having heard the position of the Member State concerned.

The legislative financial statement provides the appropriate explanations on the financial envelope.

#### **5. OTHER ELEMENTS**

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

In order to monitor the performance of the Programme in delivering the specific objectives defined in Article 6 of the Regulation, some key performance indicators have been identified and will be collected periodically. The set of indicators has been defined at level of individual

support actions in order to collect the appropriate micro-data to be aggregated at Programme level and the data will be collected by the Commission on the basis of a dedicated tool for monitoring - broken down by Member State and by policy area.

As regards the financial contributions (allocated under the reform delivery tool and under the financial support component of the convergence facility), specific output, result and impact indicators will be defined in each reform commitment plan agreed with the Member States, so that the completion of the milestones and targets will be set as a condition for receiving the financial contribution. For that purpose, Member States will include, in their annual reporting on progress, evidence on the progress made towards milestones and targets, and provide the Commission with access to the underlying data, including administrative data where relevant.

As regards the technical support instrument, specific result and impact indicators will be defined in relation to the concrete projects, with baselines and targets, in order to monitor the progress made towards the final targets and to evaluate the impact of the implemented reforms. Those indicators will also be deployed under the technical support component of the convergence facility.

A mid-term evaluation and an ex-post evaluation will be carried out for each instrument with a view to assessing the effectiveness, efficiency, relevance, coherence and Union added value of the three instruments, aggregating the results into a cross-cutting evaluation of the overall Programme. Evaluations will be carried out in line with paragraphs 22 and 23 of the Interinstitutional Agreement of 13 April 2016<sup>13</sup>, where the three institutions confirmed that evaluations of existing legislation and policy should provide the basis for impact assessments of options for further action. Evaluations will include lessons learned to identify any deficiencies and/or problems or any potential to further improve the actions or their results and help maximise their exploitation and impact.

Evaluations will be carried out in a timely manner to feed into the decision-making process.

The mid-term evaluation of the Programme will be performed once sufficient information is available about its implementation, but no later than four years after the start of the programme implementation.

At the end of the implementation of the Programme, but no later than four years after the end of the period of application of the Regulation, a final evaluation of the Programme will be carried out by the Commission.

The Commission will communicate the conclusions of the evaluations accompanied by its observations, to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions.

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<sup>13</sup>Interinstitutional Agreement between the European Parliament, the Council of the European Union and the European Commission on Better Law-Making of 13 April 2016 (OJ L 123, 12.5.2016, p. 1–14)

- **Explanatory documents (for directives)**

N/A

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

The Reform Support Programme is made up of three separate complementary instruments: (a) the reform delivery tool, which will provide financial incentives to Member States for the purpose of implementing structural reforms identified in the European Semester process (*Chapter II*); (b) the technical support instrument, which will support, with technical measures, Member States to carry out institutional, administrative and growth-sustaining structural reforms (*Chapter III*); and (c) the convergence facility for euro-area membership support, which will provide additional support, both technical and financial, to Member States, whose currency is not the euro and which have taken demonstrable steps towards adopting the single currency within a given time-frame (*Chapter IV*) (Article 3).

The general objective of the Programme is the enhancement of cohesion, competitiveness, productivity, growth, and employment. For that purpose, it should provide financial incentives for addressing challenges of a structural nature, and should help to strengthen the administrative capacity of the Member States insofar as their institutions and economic and social sectors are concerned (Article 4).

Specific objectives of the Programme are set for each instrument of the Programme (Article 5). With regard to the reform delivery tool, they should consist of fulfilling concrete milestones and targets set out in relation to the completion of reform commitments, which would trigger the release of the financial incentives. With regard to the technical support instrument, they should consist of supporting the efforts of the national authorities in improving their administrative capacity to design, develop and implement reforms, including through exchange of good practices, appropriate processes and methodologies and more effective and efficient human-resources management. Those objectives should be pursued in all Member States, including - in the context of the convergence facility - those whose currency is not the euro and which have stated clear commitment and taken demonstrable steps towards adopting the single currency within a given time-frame.

For the three instruments, the scope of the application is a broad range of policy domains that include areas related to public financial and asset management, institutional and administrative reform, business environment, product, service and labour markets, education and training, sustainable development, public health, education and the financial sector (Article 6).

The overall financial envelope for the implementation of the Programme for the period 2021-2027 will be EUR 25 billion; this will be indicatively distributed among the three instruments as follows: EUR 22 billion for the reform delivery tool, EUR 840 million for the technical support instrument and EUR 2.16 billion for the convergence facility. In accordance with provisions contained in Regulation (EU) [CPR successor]<sup>14</sup>, Member States may request the transfer of up to 5% of programme financial allocations from the ERDF, the ESF+, the Cohesion Fund or the EMFF<sup>15</sup> to this Programme. Transferred resources shall be implemented in accordance with the rules of this Programme and for the benefit of the Member State concerned (Article 7).

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<sup>14</sup>OJ C , , p. .

<sup>15</sup>OJ C , , p. .

The Commission proposals for the 2021-2027 Multiannual Financial Framework set a more ambitious goal for climate mainstreaming across all EU programmes, with an overall target of 25% of EU expenditure contributing to climate objectives. The contribution of this programme to the achievement of this overall target will be tracked through an EU climate marker system at an appropriate level of disaggregation, including the use of more precise methodologies where these are available. The Commission will continue to present the information annually in terms of commitment appropriations in the context of the annual draft budget.

To support the full utilisation of the potential of the programme to contribute to climate objectives, the Commission will seek to identify relevant actions throughout the programme preparation, implementation, review and evaluation processes.

### **The reform delivery tool**

The type of structural reforms eligible for funding under the reform delivery tool will cover reforms aimed at addressing challenges identified in the context of the European Semester of economic policy coordination, including those challenges identified in country-specific recommendations (Article 8).

Maximum amounts by Member State will be established. Those amounts should be calculated on the basis of the population of each Member State (Article 9). The allocation of funds under the reform delivery tool to the Member States will be made in stages. In the first stage lasting twenty months, half (EUR 11 billion) of the overall financial envelope of the reform delivery tool will be made available to Member States, during which they could receive up to their maximum allocation by submitting proposals for reform commitments. In the subsequent stage lasting until the end of the Programme (the second stage), a system of periodic calls will be set out by the Commission to allocate the remaining half (EUR 11 billion) of the overall financial envelope of the instrument, plus the unused amounts from the previous stage. Under each call of the second stage, all Member States will be invited to submit reform proposals concurrently, and could be awarded their maximum financial contribution on the basis of their reform proposals.

It is important to underline, at the outset, that the first call organised by the Commission during the second stage will be for an amount corresponding to the remaining half of the overall financial envelope of the instrument (i.e. EUR 11 billion), plus any unused amounts from the first stage of the allocation. Further calls would be organised by the Commission only where the overall financial envelope had not been fully used. In that respect, the Commission would adopt and publish an indicative calendar of the further calls to be organised, and should indicate, at each call, the remaining amount of the overall envelope, which would be available under the call (Article 10). That approach responds to the need to provide transparency to the outside world about the amount and timing of such calls.

The proposal for reform commitments will be presented by the Member State together with its national reform programme, in the form of a separate annex. That separate annex could be submitted together with the national reform programme or at a different point in time.

The Member States themselves should identify the reforms among the challenges raised in the context of the European Semester and propose a detailed set of measures for their implementation, which should contain appropriate milestones and targets and a timetable for implementation over a period no longer than three years (Article 11). The proposal for reform commitments might be amended only once in the duration of the Programme, with such



amendments being permitted if they are justified by objective circumstances (Article 13). The Commission will assess the nature and the importance of the reform commitments proposed by the Member States and will determine the amount to be allocated on the basis of, transparent criteria. The Commission should take into account the substantive elements provided by the Member States and assess: (i) whether the reform commitments proposed by the Member States are expected to effectively address the challenges identified in the context of the European Semester, (ii) whether they represent a comprehensive reform package, (iii) whether they are expected to strengthen the performance and resilience of the national economy, (iv) and whether their implementation is expected to have a lasting impact in the Member State. In addition, the Commission should also assess (v) whether the internal arrangements proposed by the Member States, including the proposed milestones and targets, and the related indicators, are expected to ensure an effective implementation of the reform commitments during a maximum period of three years (Article 11).

The Economic Policy Committee of the Council dealing with the European Semester may provide an opinion on the proposals for reform commitments as submitted by Member States (Article 11). The reform commitments to be implemented by the Member State will be determined by means of an implementing act (Commission decision) (Article 12). Appropriate guidelines are set out in an Annex to the Regulation, to serve as a basis for the Commission to assess - in a transparent and equitable manner - the proposals for reform commitments put forward by the Member States and to determine the financial contribution in conformity with the objectives and any other relevant requirements laid down in this Regulation. A rating system for the assessment of the proposals for reform commitments is established to that effect (Article 11, in conjunction with Annex II).

The Member State concerned will report regularly within the European Semester process on the progress made in the achievement of the reform commitments. The national reform programmes are to be used as a tool for reporting on progress towards reform completion (Article 14).

Provisions on durability of the reforms (minimum five years after the payment of the financial contribution), on budget commitments and payments as well as on suspension, cancellation and recovery of funds unduly paid are also laid down (Articles 15 and 16).

### **The technical support instrument**

The technical support instrument under the Programme should continue to support the implementation of reforms undertaken at the initiative of the Member States, reforms in the context of economic governance processes or actions related to the implementation of Union law and Union policy priorities and reforms in relation to the implementation of economic adjustment programmes. The instrument should also provide technical support for the preparation and implementation of reforms to be undertaken under the other Programme instruments. The Commission will analyse the requests for support on the basis of urgency, breadth and depth of the problems identified, support needs in respect of the policy area concerned, analysis of socioeconomic indicators and general administrative capacity of the Member State.

Based on that analysis and taking into account the existing measures and actions financed by other Union funds or Union programmes, the Commission will come to an agreement with the Member State on the priority areas for support, the objectives, an indicative timeline, the

scope of the support measures to be provided and the estimated global financial contribution, to be set out in a cooperation and support plan (Article 19).

The type of actions eligible for financing under the technical support instrument will include, among others, expertise related to policy advice and/or change, formulation of strategies and reform roadmaps, as well as to legislative, institutional, structural and administrative reforms; the provision of experts, including resident experts; capacity building and related supporting actions at all governance levels, also contributing to the empowerment of civil society (Article 18).

Member States should have the possibility of contributing, on a voluntary basis, to the budget of the technical support instrument under the Programme by transferring resources to it. The additional voluntary transfers may consist of contributions from programmed resources under the Union funds, transferred in accordance with the provisions of Regulation (EU) [successor of CPR] (Article 21).

The Commission will adopt work programmes in order to implement the technical support instrument under the Programme, by way of implementing acts, setting out the measures for the provision of technical support and all the elements required under the Financial Regulation<sup>16</sup> (Article 23).

### **The convergence facility**

An eligible Member State under the convergence facility should be a Member State that has taken demonstrable steps to adopt the single currency within a given time-frame. For that purpose, demonstrable steps would consist of a formal letter from the government of the Member State concerned to the Commission stating its clear commitment to join the euro area within a reasonable and defined timeframe and presenting a credible time-bound roadmap, after consultation with the Commission, for implementing concrete measures to prepare for successful participation in the euro area, including steps to ensure full alignment of its national legislation with the requirements under Union law (including the Banking Union).

The type of actions financed under the convergence facility for euro-area membership support will include both technical and financial support actions (in addition to those already available under the two other instruments of the Programme) relevant for preparing for euro-area participation (Article 25 and Article 30). The financial and technical support components carried out under the convergence facility should follow the same rules and implementation process as the other instruments under the Programme.

A few additional rules are added as regards eligibility of reforms and actions with respect to the other two instruments. Those additional rules refer to fixing the maximum indicative allocation and to the proposals for reform commitments, requests for technical support, and the related assessment process. In addition, the Commission will also assess the relevance of the proposed reform commitments and the requested technical support in terms of preparing for participation in the euro area (Article 27 and Article 31).

### **Other provisions**

Provision on communication activities vis-à-vis the European Parliament and the Council and vis-à-vis the general public are set out for the various instruments (Articles 17 and 20) as well as provisions on complementarity (Article 33), monitoring (Article 34), annual reports (Article 35) and evaluation (Article 36).

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<sup>16</sup>OJ C , , p. .

Proposal for a

**REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL**  
**on the establishment of the Reform Support Programme**

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>17</sup>,

Having regard to the opinion of the Committee of the Regions<sup>18</sup>,

Acting in accordance with the ordinary legislative procedure,

Whereas:

- (1) In accordance with Articles 120 and 121 of the Treaty on the Functioning of the European Union ('the Treaty'), Member States are required to 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 formulates. The coordination of the economic policies of the Member States is therefore a matter of common concern.
- (2) Article 175 of the Treaty provides, inter alia, that Member States should coordinate their economic policies in such a way as to attain the objectives on economic social and territorial cohesion set out in Article 174.
- (3) At Union level, the European Semester of economic policy coordination is the framework to identify national reform priorities and monitor their implementation. Member States develop their own national multiannual investment strategies in support of those reform priorities. Those strategies should be presented alongside the yearly National Reform Programmes as a way to outline and coordinate priority investment projects to be supported by national and/or Union funding. They should also serve to use Union funding in a coherent manner and to maximise the added value of the financial support to be received notably from the programmes supported by the Union under the European Regional Development Fund, the Cohesion fund, the European Social Fund, the European Maritime and Fisheries Fund and the European Agricultural Fund for Rural Development, the European Investment Stabilisation Function and InvestEU, where relevant.
- (4) The economic and financial crisis has shown that developing sound and resilient economies and financial systems built on strong economic and social structures helps

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<sup>17</sup>OJ C , , p.

<sup>18</sup>OJ C , , p.

Member States to respond more efficiently to shocks and recover more swiftly from them. The implementation of structural reforms is among the Union's policy priorities because such reforms seek to set the recovery on a sustainable path, unlock the growth potential, strengthen the adjustment capacity and support the process of upward convergence. Pursuing structural reforms can also contribute to strengthening economic and social cohesion, boosting productivity and investment and creating good conditions for sustainable growth and employment in the Union.

- (5) Structural reforms can contribute to achieving a high degree of resilience of domestic economies and sustainable convergence among Member States, which is crucial for successful and smooth participation in the Economic and Monetary Union. That high degree of sustainable convergence is particularly important for Member States, whose currency is not the euro, in their process of preparation to join the euro area.
- (6) The degree of implementation of structural reforms in the Member States is still not sufficient across the Union. Experience with the implementation of the economic policy coordination mechanism under the European Semester shows that, in general, the implementation of structural reforms has been slow and uneven and that national reform efforts should be reinforced and incentivised.
- (7) Regulation (EU) 2017/825 of the European Parliament and the Council<sup>19</sup> established the Structural Reform Support Programme (SRSP) for the period 2017 to 2020, with a budget of EUR 142 800 000. The SRSP was established to strengthen the capacity of Member States to prepare and implement growth-sustaining administrative and structural reforms, including through assistance for the efficient and effective use of the Union funds. Technical support under that programme is provided by the Commission, upon request from a Member State, and can cover a wide range of policy areas. Initial experience with the SRSP has shown a demand for technical support in the order of four times (in 2017) and five times (in 2018) its annual available budget.
- (8) Other Union instruments and programmes also provide a significant contribution to improving conditions underpinning certain investments in Member States, which can be conducive to or be part of such reforms. In particular, the Union Funds covered by Regulation (EU) No YYY/XX of the European Parliament and of the Council [CPR] link investment to enabling conditions (formerly known as ex-ante conditionalities), foresee a macroeconomic governance mechanism and may finance costs of structural reforms linked to investments in policy areas relevant for cohesion policy. However, currently, no instrument foresees direct financial support that provides incentives for the Member States to implement reforms in all policy areas, in response to challenges identified in the European Semester. Moreover, there is currently no instrument providing specific and targeted financial and technical support to Member States whose currency is not the euro in their efforts to implement reforms that are relevant for joining the euro area.
- (9) The Commission's Communication of 6 December 2017<sup>20</sup>, part of a package of initiatives to deepen the Economic and Monetary Union, proposed to create a reform

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<sup>19</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)

<sup>20</sup>Communication from the Commission to the European Parliament, the European Council, the Council and the European Central Bank, new budgetary instruments for a stable euro area within the Union framework, COM(2017) 822 final

delivery tool and a convergence facility as new budgetary instruments. The objective of such instruments was to strengthen resilience of domestic economies and unleash positive spillover effects across Member States by providing incentives for the implementation of structural reforms that contribute to those objectives and are essential for the stability of the Economic and Monetary Union.

- (10) Against that background, it is necessary to strengthen the current framework for the provision of support to Member States by offering direct financial support, alongside technical support. To that end, a new Reform Support Programme ('the Programme') should be established to provide effective incentives to step up the implementation of structural reforms in the Member States. The Programme should be comprehensive and should also benefit from the experience gained by the Commission and the Member States from the use of the other instruments and programmes. The Programme should also continue the actions and the mode of operation of the SRSP, since they have been proven very useful, and have been appreciated by Member States, for strengthening the administrative capacity of national authorities in various policy domains. The Programme should also include targeted support for reforms in Member States whose currency is not the euro and which have taken demonstrable steps towards adopting the single currency within a given time-frame.
- (11) In order to allow for the provision of the different types of support needed and to cater for the specificity of each component, three separate but complementary instruments should be set out within the framework of the Programme, namely a reform delivery tool, a technical support instrument, and a dedicated convergence facility for supporting preparation for euro-area membership.
- (12) The types of financing and the methods of implementation under this Regulation should be chosen on the basis of their ability to achieve the specific objectives of the actions and to deliver results, taking into account, in particular, the costs of controls, the administrative burden, and the expected risk of non-compliance. This should include consideration of the use of lump sums, flat rates and unit costs, as well as financing not linked to costs as referred to in Article 125(1) of the Financial Regulation.
- (13) The Programme's overall objective is the enhancement of cohesion, competitiveness, productivity, growth, and employment. For that purpose, it should provide financial incentives for addressing challenges of a structural nature, and should help to strengthen the administrative capacity of the Member States insofar as their institutions and economic and social sectors are concerned.
- (14) Specific objectives should be set for each instrument of the Programme. With regard to the reform delivery tool, they should consist of fulfilling concrete milestones and targets set out in relation to the completion of reform commitments, which would trigger the release of the financial incentives. With regard to the technical support instrument, they should be to assist national authorities in their endeavours to design and implement reforms, by taking into account good practices and lessons learned from peers. Those objectives should be pursued in all Member States under those two instruments and, in the context of the convergence facility, by those Member States whose currency is not the euro and which have taken demonstrable steps towards adopting the single currency within a given time-frame.
- (15) In order to ensure that the reforms supported by the Programme address all the key economic and societal areas, both financial support and technical support under the Programme should be provided by the Commission, upon request from a Member

State, in a broad range of policy domains, which include areas related to public financial and asset management, institutional and administrative reform, business environment, the financial sector, markets for products, services and labour, education and training, sustainable development, public health and social welfare.

- (16) This Regulation lays down a financial envelope for the Programme, which is to constitute the prime reference amount, within the meaning of the Interinstitutional Agreement on budgetary discipline, on cooperation in budgetary matters and on sound financial management<sup>21</sup>, for the European Parliament and the Council during the annual budgetary procedure. An appropriate indicative allocation of the overall amount of the budget should be set out for each of the three instruments of the Programme, and should be established at levels that are commensurate with their general and specific objectives and the corresponding needs.
- (17) In order to cater for additional needs under the Programme, Member States should have the possibility to transfer to the budget of the Programme resources programmed in shared management under the Union funds, in accordance with the procedure thereof. Transferred resources should be implemented in accordance with the rules of this Programme and should be used for the benefit of the Member State concerned.
- (18) Reflecting the importance of tackling climate change in line with the Union's commitments to implement the Paris Agreement and the United Nations Sustainable Development Goals, this Programme will contribute to mainstream climate actions and to the achievement of an overall target of 25 % of the EU budget expenditures supporting climate objectives. Relevant actions will be identified during the Programme's preparation and implementation, and reassessed in the context of the relevant evaluations and review processes.
- (19) With regard to the reform delivery tool, it is necessary to identify the types of reforms that should be eligible for financial support. To ensure their contribution to the objectives of the Programme, the eligible reforms should be those addressing the challenges identified in the context of the European Semester of economic policy coordination, including those proposed to address the country-specific recommendations.
- (20) In order to ensure a meaningful incentive for Member States to complete structural reforms, it is appropriate to establish a maximum financial contribution available for them under the instrument for each stage of allocation and under each call. That maximum contribution should be calculated on the basis of the population of Member States. To ensure that the financial incentives are spread throughout the whole period of application of the Programme, the allocation of funds to the Member States should be made in stages. In the first stage lasting twenty months, half (EUR 11 000 000 000) of the overall financial envelope of the reform delivery tool should be made available to Member States, during which they could receive up to their maximum allocation by submitting proposals for reform commitments.
- (21) In the interest of transparency and efficiency, in the subsequent stage lasting until the end of the Programme, a system of periodic calls should be set out by the Commission to allocate the remaining half (EUR 11 000 000 000) of the overall financial envelope of the instrument, plus the amounts unused from the previous stage. Simple procedures

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<sup>21</sup>Interinstitutional agreement between the European Parliament, the Council of the European Union and the European Commission on better law-making of 13 April 2016 (OJ L 123, 12.5.2016, p. 1–14)

should be organised to that effect. Under each call, all Member States should be invited to submit reform proposals concurrently, and could be awarded their maximum financial contribution on the basis of their reform proposals. In the interest of transparency, the first call organised by the Commission during the second stage should be for an amount corresponding to the remaining part (EUR 11 000 000 000) of the overall financial envelope of the instrument. Further calls should be organised by the Commission only where the overall financial envelope has not been fully used. The Commission should adopt and publish an indicative calendar of the further calls to be organised, and should indicate, at each call, the remaining amount of the overall envelope, which is available under that call.

- (22) It is necessary to establish a process for the submission of proposals for reform commitments by the Member States, and the content thereof. With a view to ensuring the expediency of procedures, a Member State should submit the proposal for reform commitments together with its national reform programme, but in the form of a separate annex, which may also be submitted at a different point in time. While participation in the Programme is voluntary, Member States experiencing excessive imbalances should be particularly encouraged to come forward with reform proposals under the reform delivery tool, which address the problems that led to such excessive imbalances.
- (23) In order to ensure the ownership of and a focus on relevant reforms, the Member States should identify the reform commitments in response to challenges identified in the context of the European Semester (including those challenges identified in country specific recommendations) and propose a detailed set of measures for their implementation, which should contain appropriate milestones and targets and a timetable for implementation over a maximum period of three years. Close cooperation between the Commission and the Member States should be sought and achieved throughout the process.
- (24) The Commission should assess the nature and the importance of the reform commitments proposed by the Member States and should determine the amount to be allocated on the basis of transparent criteria. To that effect, it should take into account the substantive elements provided by the Member States and assess whether the reform commitments proposed by the Member States are expected to effectively address challenges identified in the context of the European Semester, whether they represent a comprehensive reform package, whether they are expected to strengthen the performance and resilience of the national economy and whether their implementation is expected to have a lasting impact in the Member State where relevant by strengthening the institutional and administrative capacity of the Member State concerned. In addition, the Commission should assess whether the internal arrangements proposed by the Member States, including the proposed milestones and targets, and the related indicators, are expected to ensure effective implementation of the reform commitments during a maximum period of three years.
- (25) Appropriate guidelines should be set out, as an annex to this Regulation, to serve as a basis for the Commission to assess - in a transparent and equitable manner - the proposals for reform commitments put forward by the Member States and to determine the financial contribution in conformity with the objectives and any other relevant requirements laid down in this Regulation. In the interest of transparency and efficiency, a rating system for the assessment of the proposals for reform commitments should be established to that effect.

- (26) In order to contribute to the preparation of high quality proposals and assist the Commission in the assessment of the proposals for reform commitments submitted by the Member States and in the assessment of the degree of their achievement, provision should be made for the use of peer counselling and expert advice. In addition, the Council for Economic Policy Committee of the Council dealing with the European Semester, in consultation, where appropriate, with relevant Treaty-based committees, should be able to provide an opinion on the proposals for reform commitments as submitted by Member States. In the interest of simplification, the reporting by Member States on the progress made in the implementation of reform commitments should be made within the framework of the European Semester.
- (27) For the purpose of simplification, the determination of the financial contribution should follow simple criteria. The financial contribution should be the total maximum indicative amount if the reform commitments proposed by the Member State fully meet the criteria for assessment, and should be half the maximum indicative amount if the reform commitments proposed by the Member State meet those criteria only in a satisfactory manner. No financial contribution should be awarded to the Member State if the proposal for reform commitments does not satisfactorily address the assessment criteria.
- (28) To foster the stability of the reform commitments, a Member State should have the possibility to amend the reform commitments only once within the period of implementation, where objective circumstances justify such a course of action.
- (29) For the purposes of transparency, the reform commitments adopted by the Commission should be communicated to the European Parliament and the Council and communication activities should be carried out by the Commission as appropriate.
- (30) For reasons of efficiency and simplification in the financial management of the instrument, the Union financial support to reform commitments should take the form of a financial contribution not linked to cost, as referred to in Article 121(1)(e) of the Regulation (EU, Euratom) YYY/XX of the European Parliament and of the Council<sup>22</sup> (the 'Financial Regulation') under direct management.
- (31) For the purpose of sound financial management, specific rules should be laid down for budget commitments, payments, suspension, cancellation and recovery of funds. Payments should be based on a positive assessment by the Commission of the implementation of the reform commitments by the Member State. Suspension and cancellation of the financial contribution should be possible when the reform commitments have not been implemented in a satisfactory manner by the Member State. To ensure a sustainable impact of the reforms after they are implemented, a reasonable period defining the durability of the reforms after the payment of the financial contribution should be established. A period of five years should be considered to be a reasonable minimum to be applied. Appropriate contradictory procedures should be established to ensure that the decision by the Commission in relation to suspension, cancellation and recovery of amounts paid respects the right of Member States to provide observations.
- (32) With regard to the technical support instrument, Member States have increasingly taken up technical support under the SRSP, beyond initial expectations. Almost all Member States have requested support under the SRSP and requests are distributed

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OJ C , , p. .



across all policy areas covered by that programme. For that reason, the main features of the SRSP should be maintained, including the actions eligible for financing under the technical support instrument.

- (33) The technical support instrument under the Programme should continue to support, the implementation of reforms undertaken at the initiative of the Member States, reforms in the context of economic governance processes or actions related to the implementation of Union law, and reforms in relation to the implementation of economic adjustment programmes. It should also provide technical support for the preparation and implementation of reforms to be undertaken under the other Programme instruments.
- (34) In line with the rules and practice already existing under the SRSP, a light process for the submission of requests for technical support should be established. Respecting the overarching principle of equal treatment, sound financial management and transparency, appropriate criteria for the analysis of the requests submitted by Member States should be laid down. Those criteria should be based on the urgency, the severity and extent of the problems, as well as on the support needs identified in respect of the policy areas where technical support is envisaged.
- (35) The content of the cooperation and support plans detailing the measures for the provision of technical support to Members States should also be specified. To that end, the technical support measures envisaged and the related estimated global financial contribution should take into account the actions and activities financed by Union funds or Union programmes.
- (36) For the purposes of accountability, transparency and to ensure visibility of the Union action, subject to certain conditions that protect sensitive information, the cooperation and support plans should be provided to the European Parliament and the Council and communication activities should be carried out by the Commission as appropriate.
- (37) Provisions on the implementation of the technical support instrument should be laid down, in particular the management modes, the forms of funding for the technical support measures and the content of work programmes, which should be adopted by way of implementing acts. In view of the importance of sustaining the efforts of Member States in pursuing and implementing reforms, it is necessary to allow for a co-financing rate for grants of up to 100% of the eligible costs. To allow for a rapid mobilisation of technical support in case of urgency, provision should be made for the adoption of special measures for a limited period of time. To that effect, a limited amount of the budget within the work programme of the technical support instrument should be set aside for special measures.
- (38) The convergence facility should aim at providing both financial support and technical support to Member States (in addition to that already available under the two other instruments of the Programme), whose currency is not the euro and which have taken demonstrable steps towards adopting the single currency within a given time-frame, with a view to helping them prepare for membership in the euro area. To that effect, "demonstrable steps" should consist of a formal letter from the government of the Member State concerned to the Commission stating its clear commitment to join the euro area within a reasonable and defined timeframe and presenting a credible, time-bound roadmap, after consultation with the Commission, for implementing concrete measures to prepare for successful participation in the euro area, including steps to ensure full alignment of its national legislation with the requirements under Union law (including the Banking Union).

- (39) The instrument should be made up of two different components, which should aim to provide increased financial incentives for Member States that are embarking on and completing relevant structural reforms for joining the euro area, and should also aim to offer additional and targeted technical support for the design and implementation of such reforms.
- (40) In the interest of consistency and simplification, the financial and technical support components carried out under the convergence facility should follow the same rules and implementation process as the other instruments under the Programme. Therefore, relevant provisions relating to the reform delivery tool and the technical support instrument under the Programme should also apply to the relevant components of the convergence facility, complemented by certain specific rules.
- (41) As regards eligibility of reforms and actions, there should be some additional rules on fixing the maximum indicative allocation, and on the proposals for reform commitments, requests for technical support, and the related assessment process. In particular, under the financial support component of the convergence facility, an additional financial contribution should be available for allocation to the eligible Member States over and above the financial contribution to be allocated under the reform delivery tool, which should be granted in return for additional reforms undertaken by the Member State concerned.
- (42) In order to ensure an efficient and coherent allocation of funds from the Union budget and to respect the principle of sound financial management, actions under the Programme should be consistent with and be complementary to ongoing Union programmes, whilst avoiding double funding for the same expenditure. In particular, the Commission and the Member State should ensure, in all stages of the process, effective coordination in order to safeguard the consistency, coherence, complementarity and synergy among sources of funding, including technical assistance thereof.
- (43) Pursuant to paragraphs 22 and 23 of the Inter-institutional agreement for Better Law-Making of 13 April 2016, there is a need to evaluate this Programme on the basis of information collected through specific monitoring requirements, while avoiding overregulation and administrative burdens, in particular on Member States. These requirements, where appropriate, should include measurable indicators, as a basis for evaluating the effects of the Programme on the ground.
- (44) An independent mid-term evaluation, looking at the achievement of the objectives of the Programme, the efficiency of the use of its resources and its added value should be carried out. An independent ex-post evaluation should, in addition, deal with the long-term impact of the Programme.
- (45) The reform commitments to be implemented by the Member States, the determination of the financial contribution from the budget of the Programme allocated to them, and the work programmes for the implementation of technical support should be established. In order to ensure uniform conditions for the implementation of this Regulation, implementing powers should be conferred on the Commission.
- (46) Horizontal financial rules adopted by the European Parliament and the Council on the basis of Article 322 of the Treaty on the Functioning of the European Union apply to this Regulation. These rules are laid down in the Financial Regulation and determine in particular the procedure for establishing and implementing the budget through grants, procurement, prizes, indirect implementation, and provide for checks on the

responsibility of financial actors. Rules adopted on the basis of Article 322 TFEU also concern the protection of the Union's budget in case of generalised deficiencies as regards the rule of law in the Member States, as the respect for the rule of law is an essential precondition for sound financial management and effective EU funding.

- (47) In accordance with the Financial Regulation, Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council<sup>23</sup>, Council Regulation (Euratom, EC) No 2988/95<sup>24</sup>, Council Regulation (Euratom, EC) No 2185/96<sup>25</sup> and Council Regulation (EU) 2017/1939<sup>26</sup>, the financial interests of the Union are to be protected through proportionate measures, including the prevention, detection, correction and investigation of irregularities and fraud, the recovery of funds lost, wrongly paid or incorrectly used and, where appropriate, the imposition of administrative sanctions. In particular, in accordance with Regulation (EU, Euratom) No 883/2013 and Regulation (Euratom, EC) No 2185/96, the European Anti-Fraud Office (OLAF) may carry out administrative investigations, including on-the-spot checks and inspections, with a view to establishing whether there has been fraud, corruption or any other illegal activity affecting the financial interests of the Union. In accordance with Regulation (EU) 2017/1939, the European Public Prosecutor's Office (EPPO) may investigate and prosecute fraud and other criminal offences affecting the financial interests of the Union as provided for in Directive (EU) 2017/1371 of the European Parliament and of the Council<sup>27</sup>. In accordance with the Financial Regulation, any person or entity receiving Union funds is to fully cooperate in the protection of the Union's financial interests, to grant the necessary rights and access to the Commission, OLAF, the EPPO and the European Court of Auditors and to ensure that any third parties involved in the implementation of Union funds grant equivalent rights to the Commission, OLAF, the EPPO and the European Court of Auditors.
- (48) Since the objectives of this Regulation cannot be sufficiently achieved by the Member States alone, but can rather 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 that which is necessary to achieve that objective
- (49) This Regulation should not affect the continuation and modification of support measures approved by the Commission on the basis of Regulation (EU) 2017/825 or any other Union act applying to that assistance by 31 December 2020. Measures approved under Regulation (EU) 2017/825 should therefore remain valid. To that effect, a transitional provision should also be laid down,

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<sup>23</sup> Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council of 11 September 2013 concerning investigations conducted by the European Anti-Fraud Office (OLAF) and repealing Regulation (EC) No 1073/1999 of the European Parliament and of the Council and Council Regulation (Euratom) No 1074/1999, (OJ L248, 18.9.2013, p. 1)

<sup>24</sup> Council Regulation (EC, Euratom) No 2988/95 of 18 December 1995 on the protection of the European Communities financial interests (OJ L 312, 23.12.95, p.1)

<sup>25</sup> 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 L292, 15.11.96, p.2)

<sup>26</sup> Council Regulation (EU) 2017/1939 of 12 October 2017 implementing enhanced cooperation on the establishment of the European Public Prosecutor's Office ('the EPPO') (OJ L283, 31.10.2017, p.1)

<sup>27</sup> Directive (EU) 2017/1371 of the European Parliament and of the Council of 5 July 2017 on the fight against fraud to the Union's financial interests by means of criminal law (OJ L 198, 28.7.2017, p. 29)

HAVE ADOPTED THIS REGULATION:

## **CHAPTER I**

### **General provisions**

#### *Article 1* *Subject matter*

This Regulation establishes the Reform Support Programme ('the Programme').

It lays down the objectives of the Programme, the budget for the period 2021 – 2027, the forms of Union funding and the rules for providing such funding.

#### *Article 2* *Definitions*

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

1. 'technical support' means measures that help Member States to carry out institutional, administrative and growth-sustaining structural reforms, including measures that help Member States, whose currency is not the euro, to prepare for participation in the euro area;
2. 'financial support' means a financial contribution to a Member State for the purpose of the implementation of structural reforms identified in the context of the European Semester process in accordance with Article 2-a of Council Regulation (EC) No 1466/97<sup>28</sup>, and for the purpose of implementation of reforms that are relevant for preparation for participation in the euro area;
3. 'national authority' means one or more public authority at the level of government, including those at regional and local levels[, as well as Member State organisations pursuant to [Article 2(42)] of the Financial Regulation, cooperating in a spirit of partnership in accordance with the Member States' institutional and legal framework;
4. 'Union funds' means the funds covered by Regulation (EU) YYYY/XX of the European Parliament and of the Council [CPR successor]<sup>29</sup>;
5. 'international organisation' means an organisation within the meaning of Article 156 of the Financial Regulation, and organisations assimilated with such an international organisation pursuant to that Article; and
6. 'eligible Member State', under the convergence facility, means a Member State, whose currency is not the euro and which has taken demonstrable steps towards adopting the single currency within a given time-frame, in its preparation to join the euro area. Demonstrable steps shall consist of a formal letter from the government of the Member State concerned to the Commission stating its clear commitment to join the euro area within a reasonable and defined timeframe and presenting a credible time-bound roadmap, after consultation with the Commission, for implementing

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<sup>28</sup>Council Regulation (EC) No 1466/97 of 7 July 1997 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies (OJ L 209, 2.8.1997, p. 1)

<sup>29</sup>OJ C , , p. .

concrete measures to prepare for successful participation in the euro area, including steps to ensure full alignment of its national legislation with the requirements under Union law (including the Banking Union).

### *Article 3* *Structure of the Programme*

The Programme shall be made up of the following instruments:

- (a) the reform delivery tool;
- (b) the technical support instrument; and
- (c) the convergence facility for euro-area membership preparation.

### *Article 4* *General objectives*

The Programme shall support the following general objectives, in all Member States:

- (a) to contribute to addressing national reform challenges of a structural nature aimed at improving the performance of the national economies and at promoting resilient economic and social structures in the Member States, thereby contributing to cohesion, competitiveness, productivity, growth and employment; and
- (b) to contribute to strengthening the administrative capacity of the Member States in relation to challenges faced by institutions, governance, public administration, and economic and social sectors.

### *Article 5* *Specific objectives*

1. To achieve the general objectives set out in Article 4, the Programme shall have specific objectives, which shall be pursued in close cooperation with the Member States concerned.
2. The Programme has the following specific objectives:
  - (a) as regards the reform delivery tool, the Programme shall provide Member States with financial incentives with a view to achieving the milestones and targets of the structural reforms as set out in the reform commitments entered into by Member States with the Commission.
  - (b) as regards the technical support instrument, the Programme shall support the efforts of the national authorities in improving their administrative capacity to design, develop and implement reforms, including through exchange of good practices, appropriate processes and methodologies and a more effective and efficient human resources management;
  - (c) as regards the convergence facility for euro-area membership preparation the Programme shall:
    - (i) provide financial incentives to eligible Member States to help them achieve the milestones and targets of reforms that are relevant for preparation for euro-area participation, as set out in the reform commitments entered into by Member States with the Commission; and

- (ii) support the efforts of national authorities of eligible Member States in improving their administrative capacity to design, develop and implement reforms relevant for preparation for euro-area participation, including through exchange of good practices, appropriate processes and methodologies and more effective and efficient human resources management.

## *Article 6*

### *Scope*

The general and the specific objectives set out in Articles 4 and 5 shall refer to policy areas related to cohesion, competitiveness, productivity, research and innovation, smart, sustainable, and inclusive growth, jobs and investment, and in particular to one or more of the following:

- (a) public financial and asset management, budget process, debt management and revenue administration and policies aimed at combating tax evasion;
- (b) institutional reform and efficient and service-oriented functioning of public administration and e-government, including, where appropriate, through the simplification of rules, effective rule of law, reform of the justice systems and reinforcement of the fight against fraud, corruption and money laundering;
- (c) business environment, including for small and medium-sized enterprises, re-industrialisation, private sector development, product and service markets, investment, public participation in enterprises, privatisation processes, trade and foreign direct investment, competition and public procurement, sustainable sectoral development and support for research and innovation and digitisation;
- (d) education and training, labour market policies, including social dialogue, for the creation of jobs, digital skills, the fight against poverty, the promotion of social inclusion, social security and social welfare systems, public health and healthcare systems, as well as cohesion, asylum, migration and border policies;
- (e) policies for implementing climate action, mobility, promoting energy and resource efficiency, renewable energy sources, achieving energy diversification and ensuring energy security, and for the agricultural sector, fisheries and the sustainable development of rural areas; and
- (f) financial sector policies, including: the promotion of financial literacy, financial stability, access to finance and lending to the real economy; and production, provision and quality monitoring and reporting of data and statistics.

## *Article 7*

### *Budget*

1. The financial envelope for the implementation of the Programme for the period 2021-2027 shall be EUR 25 000 000 000 in current prices.
2. The indicative distribution of the amount referred to in paragraph 1 shall be:
  - (a) up to EUR 22 000 000 000 for the reform delivery tool;
  - (b) up to EUR 840 000 000 for the technical support instrument;
  - (c) up to EUR 2 160 000 000 for the convergence facility, of which:

- (i) up to EUR 2 000 000 000 for the financial support component; and
- (ii) up to EUR 160 000 000 for the technical support component.

Where, by the 31 December 2023, under the convergence facility, a non-euro-area Member State has not taken demonstrable steps to adopt the single currency within a given time-frame, the maximum amount available for that Member State under the financial support component of the convergence facility pursuant to Article 26 shall be reallocated to the reform delivery tool referred to in point (a) of the first subparagraph of this paragraph. The Commission shall adopt a decision to that effect after having given the Member State concerned the possibility to present its observations within a period of two months of the communication of its conclusions.

3. The financial envelope for 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, in so far as they are related to the objectives of this Regulation, expenses linked to IT networks focusing on information processing and exchange, including corporate information technology tools, and all other technical and administrative assistance expenses incurred by the Commission for the management of the Programme. Expenses may also cover, under each of the three instruments referred to in Article 3, the costs of other supporting activities such as quality control and monitoring of technical support projects on the ground and the costs of peer counselling and experts for the assessment and implementation of structural reforms.
4. Resources allocated to Member States under shared management may, at their request, be transferred to the Programme. The Commission shall implement those resources directly in accordance with point (a) of Article 62(1) of the Financial Regulation or indirectly in accordance with point (c) of that Article. Where possible those resources shall be used for the benefit of the Member State concerned.

## **CHAPTER II**

### **Reform Delivery Tool**

#### *Article 8* *Eligible reforms*

Pursuant to the objectives set out in point (a) of Article 4 and point (a) of Article 5(2), structural reforms eligible for financing under the Programme shall be those reforms aimed at addressing challenges identified in the context of the European Semester of economic policy coordination.

#### *Article 9* *Maximum financial contribution*

Annex I lays down a maximum financial contribution available for each Member State out of the overall envelope of the reform delivery tool referred to in point (a) of Article 7(2). Such a maximum financial contribution is calculated for each Member State using the criteria and methodology set out in that Annex, based on the population of each Member State. Such a

maximum financial contribution shall be available for allocation to each Member State, in part or in full, at each stage and call of the allocation process set out in Article 10.

*Article 10*  
*Allocation process and calls*

1. The allocation process of the maximum financial contribution available for each Member State, referred to in Article 9, shall take place in stages and calls. For each stage and at each call, Member States may propose to receive up to the full amount of the maximum financial contribution, referred to in Article 9, to fulfil reform commitments proposed in accordance with Article 11.
2. For a period of twenty months from the date of application of this Regulation, the Commission shall make available for allocation EUR 11 000 000 000, which represents 50% of the overall envelope referred to in point (a) of Article 7(2). Each Member State may propose to receive up to the full amount of the maximum financial contribution, referred to in Article 9, to fulfil reform commitments proposed in accordance with Article 11.
3. For the period starting after the end of the period referred to in paragraph 2, the Commission shall make available for allocation EUR 11 000 000 000, which represent the remaining 50% of the overall envelope for the reform delivery tool referred to in point (a) of Article 7(2), plus the amount that has not been allocated in accordance with paragraph 2, on the basis of calls organised and published under the reform delivery tool. The first call shall be for allocating EUR 11 000 000 000.
4. Where, after the first call referred to in paragraph 3, the available overall envelope referred to in point (a) of Article 7(2) has not been fully allocated pursuant to paragraphs 2 and 3, the Commission shall organise further calls. To that effect, it shall adopt and publish an indicative calendar of the further calls to be organised in that period, and shall indicate, at each call, the remaining amount of the overall envelope referred to in point (a) of Article 7(2).
5. Should the remaining amount referred to in paragraph 4 not be sufficient to cover the financial contributions to Member States having submitted a proposals under a call, as determined in accordance with Article 12, the allocations to the Member States concerned shall be adjusted proportionally in accordance with the method set out in Annex I.

*Article 11*  
*Proposal for reform commitments*

1. A Member State wishing to receive support under the reform delivery tool shall submit a proposal for reform commitments to the Commission. That proposal shall set out a detailed set of measures for the implementation of structural reforms in response to challenges identified in the European Semester process and shall contain milestones, targets and a timetable for the implementation of the reforms over a maximum period of three years.
2. The proposal for reform commitments shall be presented by the Member State concerned together with its national reform programme, in the form of a separate annex. That separate annex may be submitted together with the national reform programme or at a different point in time.



3. The proposal for reform commitments shall be duly reasoned and substantiated. It shall in particular set out the following elements:
  - (a) the nature and importance of the structural reform proposed in the context of the challenges identified in European Semester;
  - (b) the expected economic and social impacts of the reform in the Member State concerned and, where possible, the spillover effects in other Member States;
  - (c) the accompanying measures that may be needed;
  - (d) possible investment costs related to the reforms, including information on existing or planned Union financing of those costs;
  - (e) the internal arrangements for the effective implementation of the reform commitments by the Member State concerned, including the proposed milestones and targets, and the related indicators; and
  - (f) any other relevant information.
4. In the preparation of high-quality proposals for reform commitments, peer counselling may be organised by the Commission in order to allow the requesting Member States to benefit from the experience of other Member States.
5. When assessing the proposal for reform commitments, the Commission shall act in close cooperation with the Member State concerned. The Commission may make observations or seek additional information. The Member State concerned shall provide the requested additional information and may revise the proposal if needed, prior to its official submission.
6. When assessing the proposal for reform commitments and in the determination of the amount to be allocated to the Member State concerned, the Commission shall take into account the justification and the elements provided by the Member State concerned, as referred to in paragraph 3, and any other relevant information.
7. The Commission shall assess the nature and importance of the proposal for reform commitments, and, for that purpose, shall take into account the following criteria:
  - (a) whether the reform commitments:
    - (i). are expected to effectively address challenges identified in the context of the European Semester, namely:
      - in the country-specific recommendations and in other relevant European Semester documents officially adopted by the Commission; or
      - where applicable, in the Macroeconomic Imbalance Procedure laid down by Regulation (EU) 1176/2011 of the European Parliament and of the Council<sup>30</sup>;
    - (ii). represent a comprehensive reform package;
    - (iii). are expected to strengthen the performance and resilience of the economy of the Member State concerned;

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<sup>30</sup>Regulation (EU) No 1176/2011 of the European Parliament and of the Council of 16 November 2011 on the prevention and correction of macroeconomic imbalances (OJ L 306, 23.11.2011, p.25)

(iv). are expected, through their implementation, to have a lasting impact, where relevant by strengthening the institutional and administrative capacity of the Member State concerned; and

(b) whether the internal arrangements proposed by the Member States concerned are expected to ensure an effective implementation of the reform commitments during a maximum period of three years, including the proposed milestones and targets, and the related indicators.

The assessment criteria referred to in this paragraph shall be applied in accordance with the guidelines established in Annex II.

8. For the purpose of the assessment of the proposals for reform commitments submitted by Member States, the Commission may be assisted by experts.
9. The Economic Policy Committee, set up by Council decision 2000/604/EC on the Composition and Statutes of the Economic Policy Committee<sup>31</sup>, may provide its opinion on the proposals for reform commitments submitted by Member States.

## *Article 12*

### *Commission decision*

1. The Commission shall adopt a decision within four months of the official submission of the proposal by the Member State, by means of an implementing act. In the event that the Commission gives a positive assessment to a proposal for reform commitments submitted by the Member State, that decision shall set out the reform commitments to be implemented by the Member State, including the milestones and targets and the financial contribution allocated in accordance with Article 10.

The financial contribution shall complement other measures or operations supported by Union funds, pursuant to Article 33.

2. The financial contribution referred to in paragraph 1 shall be determined taking into account the nature and importance of the reforms proposed by the Member State concerned, as assessed on the basis of the criteria set out in Article 11(7), on the basis of the guidelines established in Annex II, and in accordance with the following criteria:
  - (a) where the proposal for reform commitments submitted by the Member State concerned complies fully with the criteria set out in Article 11(7), the reform commitments shall be considered to be "major", and the total amount of the maximum financial contribution referred to in Article 9 shall be allocated to the Member State concerned;
  - (b) where the proposal for reform commitments by the Member State concerned complies satisfactorily with the criteria set out in Article 11(7), the reform commitments shall be considered to be "significant", and half of the maximum financial contribution referred to in Article 9 shall be allocated to the Member State concerned; and

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<sup>31</sup>Council Decision of 29 September 2000 on the composition and the statutes of the Economic Policy Committee (2000/604/EC) (OJ L 257, 11.10.2000, p. 28–31)

- (c) where the proposal for reform commitments by the Member State concerned does not comply satisfactorily with the criteria set out in Article 11(7), no financial contribution shall be allocated to the Member State concerned.
3. The decision referred to in paragraph 1 shall lay down the financial contribution to be paid in one instalment once the Member State has satisfactorily implemented all the milestones and targets identified in relation to the implementation of each reform commitment.
- The decision shall lay down the period for implementation of the reform commitments, which shall be no later than three years after the adoption of the decision. It shall also establish: the detailed arrangements and timetable for implementation of the reform commitments and reporting thereon by the Member State concerned within the European Semester process; the relevant indicators relating to the fulfilment of the milestones and targets; and the modality for providing access by the Commission to the underlying relevant data.
4. Where the Commission gives a negative assessment to a proposal for reform commitments submitted by a Member State, it shall communicate that assessment within four months of the official submission of the proposal for reform commitments by the Member State.

#### *Article 13*

##### *Amendment of the reform commitments*

1. Where the reform commitments, including relevant milestones and targets, are no longer achievable, either partially or totally, by the Member State concerned because of objective circumstances, the Member State concerned may make a reasoned request to the Commission to amend or replace the decision referred to in Article 12(1). To that effect, the Member State may propose a modified set or a new set of reform commitments.
2. Where the Commission considers that the reasons put forward by the Member State concerned justify an amendment of the reform commitments, the Commission shall assess the new proposal in accordance with the provisions of Article 11 and shall take a new decision in accordance with Article 12 within four months of the official submission of the request.
3. Where the Commission considers that the reasons put forward by the Member State concerned do not justify an amendment of the reform commitments, it shall reject the request within four months of its official submission, after having given the Member State concerned the possibility to present its observations within a period of one month of the communication of the Commission's conclusions.
4. An amendment of the reform commitments can be made only once within the period of implementation set out in the decision referred to in Article 12(1).

#### *Article 14*

##### *Reporting by the Member State in the European Semester*

Without prejudice to the second subparagraph of Article 12(3), the Member State concerned shall report regularly within the European Semester process on the progress made in the achievement of the reform commitments. To that effect, Member States are invited to use the content of the national reform programmes as a tool for reporting on progress towards reform completion. The detailed arrangements and timetable for reporting, including the modality for

providing access by the Commission to the underlying relevant data, shall be laid down in the decision referred to in Article 12(1).

#### *Article 15*

##### *Rules on payments, suspension and cancellation of financial contributions*

1. A financial contribution provided to a Member State under the reform delivery tool shall take the form of financing not linked to cost referred to in point (a) of Article 125(1) of the Financial Regulation; it shall be managed in line with the rules for direct management set out in that Regulation, and shall not require national co-financing.
2. The decision referred to in Article 12(1) shall constitute an individual legal commitment within the meaning of the Financial Regulation, which may be based on global commitments. Budgetary commitments may be broken down into annual instalments spread over several years.
3. Payment of financial contributions to the Member State concerned under this Article shall be made in accordance with the budget appropriations and subject to the available funding.
4. Upon completion of the reform commitments, the Member State concerned shall submit to the Commission a duly justified request for payment of the financial contribution. The Commission shall assess, within two months of the submission of the request, whether the relevant milestones and targets set out in the decision referred to in Article 12(1) have been satisfactorily implemented. For that purpose, it may be assisted by relevant experts as referred to in Article 11(8).

Where the assessment has a positive outcome, the disbursement of the financial contribution shall be made in accordance with the Financial Regulation.

5. Where, as a result of the assessment referred to in paragraph 4, the Commission has established that the milestones and targets set out in the decision referred to in Article 12(1) have not been satisfactorily implemented, the payment of all or part of the financial contribution shall be suspended. The Member State concerned shall have the possibility to present its observations within a period of one month of the communication of the Commission's assessment.

The suspension shall be lifted where the Member State has taken the necessary measures to ensure a satisfactory implementation of the milestones and targets referred to in Article 12(1).

6. By derogation from Article 116(2) of the Financial Regulation, the payment deadline shall start running from the date of the communication of the positive outcome to the Member State pursuant to the second subparagraph of paragraph 4, or from the date of the communication of the lifting of a suspension pursuant to the second subparagraph of paragraph 5.
7. Where the Member State concerned has not taken the necessary measures within a period of six months from the suspension, the Commission shall cancel the amount of the financial contribution pursuant to Article 14(1) of the Financial Regulation after having given the Member State concerned the possibility to present its observations within a period of two months from the communication of its conclusions.

8. Where, within eighteen months of the date of the adoption of the reform commitments established in the decision referred to in Article 12(1), no tangible progress has been made in respect of any relevant milestones and targets by the Member State concerned, the amount of the financial contribution shall be cancelled pursuant to Article 14(1) of the Financial Regulation. No tangible progress shall mean that the Member State has not respected the timetable referred to in Article 12(3).

The Commission shall take a decision on the cancellation after having given the Member State concerned the possibility to present its observations within a period of two months of the communication of its conclusions.

#### *Article 16* *Durability of reforms*

1. A Member State shall repay to the Commission any financial contribution paid to it pursuant to Article 15 with respect to a reform commitment, where, within five years of the payment, the conditions that allowed such payments have changed significantly in the Member State concerned.
2. The following cases shall represent a significant change in the conditions that allowed the payment:
  - (a) the elements that led to the achievement of the reform commitments were reversed; or
  - (b) the elements that led to the achievement of the reform commitments were significantly modified by other measures.
3. The Commission shall take a decision on the repayment after having given the Member State concerned the possibility to present its observations within a period of two months of the communication of its conclusions.

#### *Article 17* *Information to the European Parliament and the Council and communication on the reform commitments*

1. The Commission shall transmit the reform commitments referred to in Article 12 to the European Parliament and the Council without undue delay.
2. Where the Member State concerned has granted its consent, the Commission may engage in communication activities to ensure the visibility of the Union funding for the financial support envisaged in the reform commitment package.

## **CHAPTER III** **Technical support instrument**

#### *Article 18* *Eligible actions for technical support*

Pursuant to the objectives set out in point (b) of Article 4 and point (b) of Article 5(2), the technical support instrument shall finance, in particular, the following types of action:

- (a) expertise related to policy advice, policy change, formulation of strategies and reform roadmaps, as well as to legislative, institutional, structural and administrative reforms;
- (b) the short-term or long-term provision of experts, including resident experts, 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 at all governance levels, also contributing to the empowerment of civil society, as appropriate, in particular:
  - (i) seminars, conferences and workshops;
  - (ii) working visits to relevant Member States or third countries to enable officials to acquire or increase their expertise or knowledge in relevant matters; and
  - (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 and border control;
- (f) IT capacity building, including expertise related to development, maintenance, operation and quality control of the IT infrastructure and applications needed to implement the relevant reforms, as well as expertise related to programmes geared towards the digitalisation of public services;
- (g) studies, research, analyses and surveys, evaluations and impact assessments, and the development and publication of guides, reports and educational material;
- (h) communication projects for 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 and communication, where appropriate, through social networks; and
- (i) compilation and publication of materials to disseminate information and the results of the Programme, including through the development, operation and maintenance of systems and tools using information and communication technologies.

#### *Article 19*

#### *Request for technical support*

1. A Member State wishing to receive technical support under this instrument shall submit a request for technical support to the Commission, identifying the policy areas and the priorities for support within the scope of the Programme as set out in Article 6. The Commission shall organise calls under the technical support instrument, which will set appropriate deadlines for the submission of requests. The

Commission may provide guidance on the main elements to be included in the request for support.

2. Members States may submit a request for technical support in the following circumstances linked to:
  - (a) the implementation of reforms by Member States, undertaken on their own initiative, in particular to achieve sustainable economic growth and job creation;
  - (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 Council<sup>32</sup> as regards the Member States whose currency is the euro and Council Regulation (EC) No 332/2002<sup>33</sup> as regards Member States whose currency is not the euro;
  - (c) the implementation of growth-sustaining reforms in the context of economic governance processes, in particular the country-specific recommendations issued in the context of the European Semester or actions related to the implementation of Union law;
  - (d) the preparation of a proposal for reform commitments and the implementation of the reform commitments undertaken by Member States;
  - (e) the implementation of reforms, which are relevant for preparation for euro-area membership for Member States, whose currency is not the euro and which have taken demonstrable steps towards adopting the single currency within a given time-frame.
3. Taking into account the principles of transparency, equal treatment and sound financial management, and 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.

Based on that analysis, and taking into account the existing actions and measures financed by Union funds or other Union programmes, the Commission shall come to an agreement with the Member State concerned on the priority areas for support, the objectives, an indicative timeline, the scope of the support measures to be provided and the estimated global financial contribution for such technical support, which shall be set out in a cooperation and support plan.
4. The cooperation and support plan referred to in paragraph 3 shall identify, separately from other technical support, the measures linked to preparation for euro-area membership pursuant to Article 32. The plan shall also identify separately the

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<sup>32</sup>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)

<sup>33</sup>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)

measures linked to the reform commitments undertaken by the Member States pursuant to Articles 13 and 29.

#### *Article 20*

##### *Information to the European Parliament and the Council and communication on the cooperation and support plans*

1. The Commission shall transmit, with the consent of the Member State concerned, the cooperation and support plan to the European Parliament and the Council without undue delay. The Member State concerned may refuse to give such consent in the case of sensitive or confidential information, the disclosure of which would jeopardise public interests of the Member State.
2. Notwithstanding the provisions of paragraph 1, the Commission shall transmit the cooperation and support plan to the European Parliament and the Council in the following circumstances:
  - (a) as soon as the Member State concerned has redacted all sensitive or confidential information, the disclosure of which would jeopardise public interests of the Member State;
  - (b) after a reasonable period of time, when the disclosure of relevant information would not adversely affect the implementation of the support measures under the Programme, and in any case no later than two months after the delivery of such measures under the cooperation and support plan
3. The Commission may engage in communication activities to ensure the visibility of the Union funding for the support measures envisaged in the cooperation and support plans.

#### *Article 21*

##### *Other financial contributions to the technical support instrument*

1. In addition to the financial envelope set out in points (b) and c(ii) of Article 7(2), the technical support budget under the Programme may be financed through additional voluntary contributions from Member States.
2. The additional voluntary contributions referred to in paragraph 1 may consist of contributions made in accordance with Article 100 of Regulation [CPR successor], and pursuant to the procedure set out in that Article, as referred to in Article 7(4).

#### *Article 22*

##### *Complementary funding*

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

#### *Article 23*

##### *Implementation of the technical support instrument*

1. The Commission shall implement the technical support instrument under the Programme in accordance with the Financial Regulation.



2. The measures of the technical support instrument under the Programme may be implemented either directly by the Commission or, indirectly, by entities and persons other than Member States in accordance with Article XX of the Financial Regulation. In particular, Union support for actions pursuant to Article 19 shall take the form of:
- (a) grants;
  - (b) public procurement contracts;
  - (c) reimbursement of costs incurred by external experts, including experts from the national, regional or local authorities of Member States providing or receiving support;
  - (d) contributions to trust funds set up by international organisations; and
  - (e) actions carried out through indirect management.
3. Grants may be awarded to the national authorities of Member States, the European Investment Bank group, international organisations, public or private bodies and entities legally established in:
- (a) Member States;
  - (b) European Free Trade Association countries which are party to the European Economic Area Agreement, in accordance with the conditions laid down therein.

The co-financing rate for grants shall be up to 100 % of the eligible costs.

4. Technical 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 points (b) and point (c)ii) of Article 5(2).
5. In order to implement the technical support instrument under the Programme, the Commission shall adopt work programmes by way of implementing acts, and inform the European Parliament and the Council thereof.

Work programmes shall set out the allocation for technical support instrument. They shall also set out the measures needed for their implementation, in line with the general and specific objectives referred to in point (b) of Article 4 and in points (b) and (c)ii) of Article 5(2) and, the selection and award criteria for grants, and all the elements required by the Financial Regulation.

6. To ensure timely availability of resources, a limited part of the work programme shall be reserved for special measures 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 wishing to receive technical support, adopt special measures in accordance with the objectives and actions defined in this instrument to provide technical support to the national authorities in addressing urgent needs. Such special measures shall be interim in nature, and shall only be subject to the conditions laid down in Article 19(2). The special measures shall end within six months and may be replaced by technical support measures in accordance with the conditions set out in Article 19.

## **CHAPTER IV**

### **Convergence Facility**

#### *Article 24*

##### *General provisions*

1. The convergence facility for euro-area membership is available to any eligible Member State as referred to in Article 2(6). Support shall consist of the following two components:
  - (a) the financial support component; and
  - (b) the technical support component.
2. The provisions of Chapter II shall apply to the financial support component, complemented by the provisions set out in Articles 25 to 29.
3. The provisions of Chapter III shall apply to the technical support component, complemented by the provisions set out in Articles 30 to 32.

#### **SECTION 1**

##### **FINANCIAL SUPPORT**

#### *Article 25*

##### *Eligible reforms*

Structural reforms eligible for financing under the convergence facility shall be reforms that help eligible Member States in their preparation to join the euro area. Those reforms shall be aimed at addressing challenges identified in the context of the European Semester of economic policy coordination.

#### *Article 26*

##### *Maximum financial contribution available for Member States*

Annex X lays down a maximum financial contribution available for each Member State out of the overall financial envelope referred to in point (c)(i) of Article 7(2). Such maximum financial contribution is calculated for each eligible Member State using the criteria and methodology set out in that Annex, based on population of each Member State, and applies for each of the allocation stages and calls set out in Article 10.

Without prejudice to the second subparagraph of Article 7(2), such a maximum financial contribution shall be available for allocation to each eligible Member State, in part or in full, at each stage of the allocation process in accordance with the procedure set out in Article 10 and shall represent an additional contribution over and above the financial contribution referred to in Article 9, which shall be granted in return for additional reforms undertaken by the Member State concerned in accordance with Article 25.

*Article 27*  
*Proposal for reform commitments*

1. An eligible Member State shall submit a proposal for reform commitments under the financial support component of this convergence facility, in accordance with Article 11.
2. The proposal for reform commitments referred to in paragraph 1 shall set out the reforms that are considered important for the eligible Member State's preparation for participation in the euro area, and shall refer to the formal letter from the government of the Member State concerned to the Commission stating its clear commitment to join the euro area within a reasonable and defined timeframe and presenting a credible time-bound roadmap, after consultation with the Commission, for implementing concrete measures to prepare for successful participation in the euro area, including steps to ensure full alignment of its national legislation with the requirements under Union law (including the Banking Union).  
  
Such a proposal shall not concern reforms that are already proposed or already financed under the reform delivery tool referred to in Chapter II.
3. The Commission shall assess any proposal for reform commitments submitted under the financial support component of the convergence facility in accordance with Article 11. In addition, the Commission shall also assess the relevance of the proposed reform commitments for preparation for participation in the euro area.

*Article 28*  
*Commission decision*

1. The Commission shall adopt a decision pursuant to Article 12(1), which shall set out the same elements referred to in that Article, in relation to reform commitments to be implemented by the eligible Member State, which are important for preparation for participation in the euro area. That decision shall also refer to the formal letter from the government of the Member State concerned to the Commission stating its clear commitment to join the euro area within a reasonable and defined timeframe and presenting a credible time-bound roadmap, after consultation with the Commission, for implementing concrete measures to prepare for successful participation in the euro area, including steps to ensure full alignment of its national legislation with the requirements under Union law (including the Banking Union).
2. The financial contribution set out in the decision referred to in Article 12(1) shall be determined in accordance with the same criteria specified in that Article and in accordance with the additional criterion set out in Article 27(3). It shall represent a separate contribution compared to the financial contribution awarded under the reform delivery tool and shall be allocated in return for reforms that are important for their preparation for participation in the euro area and are undertaken by the Member State concerned.

*Article 29*  
*Complementary funding*

Reforms that are financed under the reform delivery tool pursuant to Chapter II shall not be financed under the financial support component of the convergence facility.

## SECTION 2

### TECHNICAL SUPPORT

#### *Article 30* *Eligible actions*

Pursuant to the objectives set out in point (b) of Article 4 and point (c)(ii) of Article 5(2) the convergence facility may finance actions and activities, in accordance with Article 18, which support reforms that help eligible Members States in their preparation to join the euro area.

#### *Article 31* *Request for technical support*

1. An eligible Member State shall submit a request for technical support under the convergence facility, in accordance with Article 19. The request shall also refer to the formal letter from the government of the Member State concerned to the Commission stating its clear commitment to join the euro area within a reasonable and defined timeframe and presenting a credible time-bound roadmap, after consultation with the Commission, for implementing concrete measures to prepare for successful participation in the euro area, including steps to ensure full alignment of its national legislation with the requirements under Union law (including the Banking Union).
2. The requests for technical support shall indicate whether they are relevant for preparation for euro-area membership pursuant to Article 30, providing appropriate justification thereof.
3. The Commission shall analyse requests for technical support under the convergence facility separately from other requests for technical support. In carrying out its analysis in accordance with Article 19, the Commission shall also consider the relevance of the request for preparation for euro-area membership.
4. The cooperation and support plan referred to in Article 19(3) shall identify, separately from other technical support, the measures linked to preparation for euro-area membership.

#### *Article 32* *Implementation of technical support*

The work programmes referred to in Article 23(5) shall also set out the allocation of technical support to eligible Member States in relation to reforms that help in their preparation to join the euro area. The work programmes shall also set out the measures needed for their implementation, in line with the general and specific objectives referred to in point (b) of Article 4 and point (c)(ii) of Article 5(2), the selection and award criteria for grants, and all the elements required by the Financial Regulation.

## **CHAPTER V**

### **Complementarity, monitoring and evaluation**

#### *Article 33*

##### *Coordination and complementarity*

1. The Commission and the Member States concerned shall, in a measure commensurate to their respective responsibilities, 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. For that purpose, they shall:
  - (a) ensure complementarity, synergy, coherence and consistency among different instruments at Union, national and, where appropriate, regional 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; and
  - (c) ensure close cooperation between those responsible for implementation at Union, national and, where appropriate, regional levels to deliver coherent and streamlined support actions under each of the instruments established under this Regulation.
2. The Commission shall endeavour to ensure complementarity and synergies with support provided by other relevant international organisations.

#### *Article 34*

##### *Monitoring of implementation*

1. The Commission shall monitor the implementation of the Programme and measure the achievement of the general objectives set out in Article 4 and the specific objectives established in Article 5. Indicators to be used for reporting on progress and for the purpose of monitoring and evaluation of the Programme towards the achievement of the general and specific objectives are set in Annex III for each Programme instrument. The monitoring of implementation shall be targeted and proportionate to the activities carried out under the different Programme instruments.
2. The performance reporting system shall ensure that data for monitoring Programme implementation and results are collected efficiently, effectively, and in a timely manner. To that end, proportionate reporting requirements shall be imposed on recipients of Union funds.

#### *Article 35*

##### *Annual report*

1. The Commission shall provide an annual report to the European Parliament and the Council on the implementation of the Programme.
2. In relation to the financial support activities, the annual report shall include information on the progress made with reform commitments by the Member States concerned under the reform delivery tool. The annual report shall also include

equivalent information on the implementation of the financial support component under the convergence facility.

For the purpose of the reporting on the financial support activities referred to in subparagraph 1, the Commission may use the content of the relevant documents officially adopted by the Commission under the European Semester, as appropriate.

3. In relation to the technical support activities, the annual report shall include information on:
  - (a) requests for support submitted by Member States pursuant to Article 19(1);
  - (b) the analysis of the application of the criteria, referred to in Article 19(2), used to analyse the requests for support submitted by Member States;
  - (c) cooperation and support plans referred to in Article 19(3); and
  - (d) special measures adopted pursuant to Article 23(6).
4. In relation to the technical support activities, the annual report shall also include the same elements referred to in paragraph 3 as regards the implementation of the technical support component under the convergence facility.

#### *Article 36* *Evaluation of the Programme*

1. The Commission shall provide the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions with an independent mid-term evaluation report on the Programme no later than four years after the start of the Programme implementation and with an independent *ex post* evaluation report on the Programme no later than four years after the end of the period specified in Article 1.
2. The evaluation shall cover the reform delivery tool, the technical support instrument and the convergence facility.
3. The mid-term evaluation report shall include information on the achievement of the objectives of the Programme, the efficiency of the use of resources and the Programme's European added value. It shall also consider the continued relevance of all objectives and actions.
4. The *ex post* evaluation report shall consist of a global assessment of the Programme and shall include information on its impact in the long-run.

## **CHAPTER VI** **Transitional and final provisions**

#### *Article 37* *Information, communication and publicity*

1. The recipients of Union funding shall acknowledge the origin and ensure the visibility of the Union funding, in particular when promoting the actions and their results, by providing coherent, effective and proportionate targeted information to multiple audiences, including the media and the public.

2. The Commission shall implement information and communication actions relating to the Programme, its actions and its results. Financial resources allocated to the Programme shall also contribute to the corporate communication of the political priorities of the Union, as far as they are related to the objectives referred to in Articles 4 and 5.

*Article 38*  
*Transitional provision*

1. Technical support actions and activities initiated on or before 31 December 2020 pursuant to Regulation (EU) No 2017/825 shall continue to be governed by that Regulation until their completion.
2. The financial envelope of the Programme referred to in point (b) and point (c)(ii) of Article 7(2) may also cover technical and administrative assistance expenses, including monitoring, communication and evaluation required pursuant to Regulation No (EU) 2017/825 and not completed by 31 December 2020.
3. Where necessary, appropriations may be entered in the budget beyond 2020 to cover the expenses provided for in Article 7(3) relating to the management of actions not completed by 31 December 2020.

*Article 39*  
*Entry into force*

This Regulation shall enter into force on the twentieth 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 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
- 1.2. Policy area(s) concerned (*programme cluster*)
- 1.3. Nature of the proposal/initiative
- 1.4. Grounds for the proposal/initiative
- 1.5. Duration and financial impact
- 1.6. Management mode(s) planned

### **2. MANAGEMENT MEASURES**

- 2.1. Monitoring and reporting rules
- 2.2. Management and control system
- 2.3. Measures to prevent fraud and irregularities

### **3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE**

- 3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected
- 3.2. Estimated impact on expenditure
  - 3.2.1. *Summary of estimated impact on expenditure*
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  - 3.2.3. *Third-party contributions*
- 3.3. Estimated impact on revenue



## **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 on the establishment of the Reform Support Programme for the period 2021 to 2027

#### **1.2. Policy area(s) concerned (*Programme cluster*)**

Economic and Financial Affairs

#### **1.3. The proposal/initiative relates to:**

☒ **a new action**

☐ **a new action following a pilot project/preparatory action**<sup>34</sup>

☒ **the extension of an existing action**

☐ **a merger or redirection of one or more actions towards another/a new action**

#### **1.4. Grounds for the proposal/initiative**

##### **1.4.1. *Requirement(s) to be met in the short or long term including a detailed timeline for roll-out of the implementation of the initiative***

Structural reforms are changes that modify in a lasting way the structure of an economy or the institutional and regulatory framework in which businesses and people operate. If well-chosen and implemented, structural reforms can accelerate the process of social and economic convergence among the Member States both inside and outside the euro area, and strengthen the resilience of the economies of the Member States. This is expected to lead to greater prosperity and to a smooth and stable functioning of the Economic and Monetary Union (EMU) as a whole.

While structural reforms are designed to boost an economy's competitiveness, potential growth and economic and social resilience, their benefits often materialise only over the long term, while their economic, social and political costs are often incurred in the short term. National governments might, therefore, refrain from embarking in the implementation of some reforms. Experience with the implementation of the economic policy coordination mechanism under the European Semester shows that implementation of reforms remains slow and uneven across Member States, leading to negative impacts on convergence and resilience of the economies of the EU Member States and, therefore, of the Union as a whole.

Against this background, the Commission is proposing a new Reform Support Programme (the Programme), which includes three separate and complementary instruments: (i) the reform delivery tool; (ii) a follow-up programme to the SRSP, in the form of a technical support instrument; and (iii) a convergence facility, to provide specific and targeted support to non-euro-area Member States, which have taken demonstrable steps to join the euro area within a given time-frame. The Programme thus aims to support Member-State governments and authorities, at their request or upon their reform proposals, in their efforts to design and implement growth-sustaining structural reforms. The Programme is intended to contribute to the overall

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As referred to in Article 58(2)(a) or (b) of the Financial Regulation.

objective of enhancing cohesion, competitiveness, productivity, growth and employment. For that purpose, it should provide financial incentives for the completion of reforms of a structural nature, and technical support to strengthen the administrative capacity of the Member States to address challenges faced by institutions, governance, public administration, and economic and social sectors.

- 1.4.2. *Added value of Union involvement (it may result from different factors, e.g. coordination gains, legal certainty, greater effectiveness or complementarities). For the purposes of this point 'added value of Union involvement' is the value resulting from Union intervention which is additional to the value that would have been otherwise created by Member States alone.*

#### Reasons for action at European level (ex-ante)

The new Reform Support Programme will offer a unique combination of instruments to all EU Member States, thus maximising the impact at EU level. Its main added value consists of its voluntary character and promotion of ownership of reforms by the Member States.

The reform delivery tool is a direct response to the weak implementation of the structural reforms at national level and to a gap identified in the current system of EU economic governance. While the implementation of structural reforms in Member States remains a national competence, action at EU level will provide an impetus to help to overcome political hesitation to undertake reforms (which could be partly related to financial or political short-term costs). The Programme also aims to provide concrete financial support for the implementation of reforms identified in the European Semester process, while respecting the principles of subsidiarity.

The technical support instrument (and the technical support component of the convergence facility) will continue to strengthen Member States' administrative capacity through a Union-wide network of expertise to the benefit of all Member States that request support and will promote mutual trust and further cooperation between Member States and the Commission.

The financial support component of the convergence facility, targeted to Member States, which have taken demonstrable steps to adopt the single currency within a given time-frame, will aim at strengthening the resilience of these Member States on their way to joining the euro area and the resilience of the euro area as a whole, enabling positive cross-border effects and/or positive spillover effects for the euro area and Union as a whole.

#### Expected generated Union added value (ex-post)

While the implementation of structural reforms in Member States remains a national competence, the crisis years showed that due to the strong links between economies of Member States reform efforts cannot be a purely national issue. Economic policy coordination has been strengthened in the context of the European Semester but implementation of Country-Specific Recommendations has so far been uneven across Member States. The Programme will provide additional support for the implementation of reforms under the European Semester. In doing so, it will contribute to the macroeconomic stability and the economic and social resilience of the Member States. Its impact will therefore be felt not only at national level, but will also have positive spill-over effects for the Union as a whole.

#### *1.4.3. Lessons learned from similar experiences in the past*

The technical support instrument is a continuation of the existing 2017-2020 Structural Reform Support Programme, which entered into force on 20 May 2017. The implementation of the SRSP began in September 2017 with the adoption of the 2017 Annual Work Programme and has continued with the adoption of the 2018 Annual Work Programme in March 2018. Even if, from a regulatory viewpoint, it is early to have a formal evaluation of the SRSP, some lessons can be drawn from the technical support provided to Greece (through the Task Force for Greece – TFGR) and Cyprus (through the Support Group for Cyprus – SGCY) in the context of the adjustment programmes and from the preparatory action for structural reforms carried out in 2016 (EUR 3 000 000). In particular, in the case of the TFGR, the evaluation carried out in 2014 confirmed that the support provided as technical assistance contributed significantly to the implementation of the reform programme. Similarly the Special Report by the ECA also concluded that, overall, the TFGR had been successful in achieving its mandate – providing relevant technical assistance in areas covering almost the entire spectrum of public policy, which was largely in line with the conditions of the economic adjustment programme.

Although, as already mentioned, the recent implementation of the preparatory action (work on the ground has been finalised recently) and the recent adoption of the SRSP make it difficult to provide an analysis of its performance and impact, some preliminary conclusions can be drawn:

- The Programme fills a gap in the implementation of structural reforms by supporting the Member States in various stages of the reform process;
- Participation in the Programme entails a rather low administrative burden compared to other Union programmes, and the support can be delivered relatively rapidly;
- The SRSP contributes strongly to consistent implementation of strategic Union priorities;
- The SRSP actions often contribute to the development and implementation of solutions that address cross-border issues and Union-wide challenges;
- In some cases, the support has also enabled funding to be leveraged from other Union programmes, e.g. by helping to better prepare or integrate projects under the Union funds;
- Member States seem to especially appreciate the sharing of expertise with other Member States or experts; and
- The voluntary character of the participation in the Programme and the consensual nature of the cooperation throughout the entire support process help to develop mutual trust and promote cooperation....]

#### *1.4.4. Compatibility and possible synergy with other appropriate instruments*

The Programme will be coherent with and reinforce the policy coordination carried out under the European Semester. At the same time, it is consistent with the investment project-related instrument of the European Structural and Investment Funds (Union funds) and other Union programmes and it will provide leverage to the Union funds. Furthermore, the Programme builds up on the current experience of the SRSP.

The Commission will continue to ensure that the actions proposed for implementation under the Programme are complementary and do not overlap with other Union programmes and funds (including the Union funds). Coordination will continue to be ensured within the internal working arrangements (through a coordination mechanism similar to the already-existing coordination mechanism for technical support under the SRSP, involving representatives of the services most concerned) and with the Member States (decisions to provide support to a Member State would, inter alia, take into account the existing actions and measures financed by the Union funds and programmes).

The feature that the reforms subject to financial contributions from the Programme are to be identified in the context of the existing European Semester process will be instrumental for ensuring additionality and avoiding that the Reform Support Programme supports reforms that would have happened in any case. In addition, the monitoring of the implementation of these reforms within the European Semester will provide additional safeguards to this effect.

### 1.5. **Duration and financial impact**

#### ☒ **limited duration**

- ☒ in effect from 2021 to 2027
- ☐ Financial impact from YYYY to YYYY for commitment appropriations and from YYYY to YYYY for payment appropriations.

#### ☐ **unlimited duration**

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

### 1.6. **Management mode(s) planned<sup>35</sup>**

#### ☒ **Direct management** by the Commission

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

#### ☐ **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 70 and 71 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;

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<sup>35</sup>Details of management modes and references to the Financial Regulation may be found on the BudgWeb site: <https://myintracomm.ec.europa.eu/budgweb/EN/man/budgmanag/Pages/budgmanag.aspx>

- ☐ 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.

## **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 report annually to the European Parliament and Council on the implementation of the Programme.

The Commission will provide the European Parliament and the Council with an interim evaluation report and an ex-post evaluation report.

The mid-term evaluation report will include information on the achievement of the objectives of the Programme, the effectiveness, efficiency, relevance, coherence and EU added value of the Programme. It will also address whether all objectives and actions continue to be relevant. The ex-post evaluation report will consist of a global assessment of the Programme and will include information on its impact in the long run.

### **2.2. Management and control system(s)**

#### **2.2.1. *Justification of the management mode(s), the funding implementation mechanism(s), the payment modalities and the control strategy proposed***

The Programme may be implemented either directly by the Commission or indirectly, by entities and persons other than Member States in accordance with Article 58 (c) of the Financial Regulation (future Article 62(1)(c)).

As regard the provision of technical support, the Programme builds upon the experience of the SRSP, which has been managed under direct and indirect management, an attractive feature of which has proven to be its administrative simplicity. To ensure continuity and maintain the coherence of a single framework for the three instruments, direct management is the most suitable option. Where appropriate, in light of the policy objectives and taking also account of the control objectives, indirect management with international organisations will also be used.

Direct management is also an appropriate means to provide the financial contribution under the reform delivery tool (including under the convergence instrument), which is conceived as an "incentive mechanism" consisting of transfer of funds to the budgets of the Member States without any link to costs. Direct management will allow for the needed active interaction between the Commission and the Member States in the preparation and implementation of reform commitments. Direct management will also allow for more transparent, simpler and faster procedures. The fact that the financial contribution will not be linked to costs will also result in efficiency gains and simplification for financial management.

The control strategy (details provided under point 2.2.2) is considered appropriate and balanced for addressing, on the one hand, the traditional risk related to the direct

or indirect management of action projects by the Commission (procurement and grants, as detailed in point 2.2.2) and, on the other hand, the financial contribution not linked to costs (for the financial instrument), where transaction risks are lower.

2.2.2. *Information concerning the risks identified and the internal control system(s) set up to mitigate them*

The main risks identified are the following:

1) For the reform delivery tool (including under the convergence facility):

- Risk that the reform commitments are not put into place in a satisfactory manner;
- Risks related to unclear formulation of the milestone and indicators in the implementing act;
- Risks of incorrect assessment or delays in assessment of whether the reforms have been completed satisfactorily; and
- Risks linked to the potential cancellation of the amount of the financial contributions.

The measures that will be put in place to mitigate the risks are the following:

- The control system will be based on a thorough assessment of the degree of fulfilment of the reform commitments. As such, since the funding will be based on financial contributions not linked to costs, the risk associated with transactions is expected to be very low.

2) For the technical support instrument (including under the convergence facility):

The risks relates to the selection of partners (e.g. international financial institutions (IFI's) and final beneficiaries), the contracting phase (transposing the Commission's requirements into the contractual documentation), monitoring and financial transactions (non-observance of processes prescribed by the Commission) and performance measurement (non-achievement of pre-defined targets/objectives).

The measures that will be put into place to mitigate these risks are the following:

- following the established evaluation process before the award decision;
- ex-ante verification by the programme management service and financial verification by the financial service;
- hierarchical validation of operations through appropriate circuits;
- ex-ante assessment for entrusted entity (pillar assessment); and
- ex-post controls to address systemic weaknesses of the ex-ante controls and contributing to the corrections of amounts unduly paid.

2.2.3. *Estimation and justification of the cost-effectiveness of the controls (ratio of "control costs ÷ value of the related funds managed"), and assessment of the expected levels of risk of error (at payment & at closure)*

Based on information available in the 2017 SRSS Management Plan and Annual Activity Report, the estimation of the cost-effectiveness of the controls is below 5%.

The staff costs are estimated using approximations based on analysis of the organigram and job descriptions, while the external costs of controls are based on values of respective contracts and related payments.

Considering the management mode proposed, the risk assessment and the proposed mitigation of risks, the expected rate of errors is low.

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

*Specify existing or envisaged prevention and protection measures, e.g. from the Anti-Fraud Strategy.*

Different measures will be put in place for the programme to prevent fraud and irregularities.

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 SRSS, having regard to the proportionality and cost benefit of the measures to be implemented. This will be broadly based on the experience gained when applying the current anti-fraud strategy of the SRSS.

Appropriate internal control processes will apply at all levels of management and be designed to provide reasonable assurance of achieving the following objectives: effectiveness, efficiency and economy of operations; reliability of reporting; safeguarding of assets and information; adequate management of the risks relating to the legality and regularity of the underlying transactions, and prevention, detection, correction and follow up of fraud and irregularities.

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 if 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 of the multiannual financial framework and new expenditure budget line(s) proposed

| Heading of multiannual financial framework | Budget line   | Type of expenditure           | Contribution                      |  |                      |  |
|--|---|-------------------------------|-----------------------------------|--|----------------------|--|
|  | Heading 2: Cohesion & Values  | Diff./Non-diff. <sup>36</sup> | from EFTA countries <sup>37</sup> | from candidate countries <sup>38</sup> | from third countries | within the meaning of Article [21(2)(b)] of the Financial Regulation |
| 2  | 06.01 04 01 (Support expenditure for the Reform Support Programme - RSP)          | Non-diff.                     | NO                                | NO                                     | NO                   | NO   |
| 2  | 06.02.01 (RSP – Reform Delivery Tool)   | Diff.                         | NO                                | NO                                     | NO                   | NO   |
| 2  | 06.02.02 (RSP – Operational Technical support)                                    | Diff.                         | NO                                | NO                                     | NO                   | NO   |
| 2  | 06.02.03.01 (RSP - Convergence Facility - Financial instrument component)         | Diff.                         | NO                                | NO                                     | NO                   | NO   |
| 2  | 06.02.03.02 (RSP -Convergence Facility - Operational Technical support component) | Diff.                         | NO                                | NO                                     | NO                   | NO   |

<sup>36</sup> Diff. = Differentiated appropriations / Non-diff. = Non-differentiated appropriations.

<sup>37</sup> EFTA: European Free Trade Association.

<sup>38</sup> Candidate countries and, where applicable, potential candidates 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 where the decimal point is represented by a comma)

| Heading of multiannual financial framework  | 2           | Cohesion and Values |           |           |           |           |           |           |           |           |            |
|---|-------------|---------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|
| DG: SRSS  |             |                     | Year 2021 | Year 2022 | Year 2023 | Year 2024 | Year 2025 | Year 2026 | Year 2027 | Post-2027 | TOTAL      |
| • Operational appropriations  |             |                     |           |           |           |           |           |           |           |           |            |
| 06.02.01 (RSP – Reform Delivery Tool)   | Commitments | (1)                 | 1 100,000 | 3 208,450 | 4 400,16  | 4 125,15  | 3 666,040 | 4 583,500 | 916,700   |           | 22 000,000 |
|   | Payments    | (2)                 |           |           | 3 208,450 | 5 958,550 | 2 749,530 | 2 750,100 | 5 041,85  | 2 291,520 | 22 000,000 |
| 06.02.02 (RSP – Operational Technical support)                                    | Commitments | (1a)                | 109,039   | 111,221   | 113,445   | 115,714   | 118,029   | 120,390   | 122,162   |           | 810,000    |
|   | Payments    | (2a)                | 57,173    | 84,200    | 96,335    | 100,860   | 103,812   | 106,413   | 102,037   | 159,170   | 810,000    |
| 06.02.03.01 (RSP - Convergence Facility - Financial instrument component)         | Commitments | (1b)                | 100,000   | 291,550   | 399,840   | 374,850   | 333,960   | 416,500   | 83,300    |           | 2 000,000  |
|   | Payments    | (2b)                |           |           | 291,550   | 541,450   | 250,470   | 249,150   | 458,150   | 208,480   | 2 000,000  |
| 06.02.03.02 (RSP -Convergence Facility - Operational Technical support component) | Commitments | (1c)                | 18,847    | 19,224    | 19,608    | 20,000    | 20,400    | 20,807    | 21,114    |           | 140,000    |
|   | Payments    | (2c)                | 10,890    | 16,039    | 18,350    | 19,211    | 19,773    | 20,268    | 19,436    | 16,033    | 140,000    |

| Appropriations of an administrative nature financed from the envelope of specific programmes <sup>39</sup> |             |          |           |           |           |           |           |           |           |           |            |
|--|-------------|----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|
| 06.01 04 01 (Support expenditure for the Reform Support Programme - RSP)                                   |             | (3)      | 6,731     | 6,865     | 7,003     | 7,143     | 7,285     | 7,432     | 7,541     |           | 50,000     |
| <b>TOTAL appropriations for DG SRSS</b>  | Commitments | =1+1a +3 | 1 334,617 | 3 637,310 | 4 940,056 | 4 642,857 | 4 145,714 | 5 148,629 | 1 150,817 |           | 25 000,000 |
|  | Payments    | =2+2a +3 | 74,794    | 107,104   | 3 621,688 | 6 627,214 | 3 130,870 | 3 134,113 | 5 629,014 | 2 675,203 | 25 000,000 |

|   |             |       |           |            |           |            |           |           |           |           |            |
|---|-------------|-------|-----------|------------|-----------|------------|-----------|-----------|-----------|-----------|------------|
| • TOTAL operational appropriations  | Commitments | (4)   | 1 327,886 | 3 630, 445 | 4 933,053 | 4 635, 714 | 4 138,429 | 5 141,197 | 1 143,276 |           | 24 950,000 |
|   | Payments    | (5)   | 68,063    | 100,239    | 3 614,685 | 6 620,071  | 3 123,585 | 3 126,681 | 5 621,473 | 2 675,203 | 24 950,000 |
| • TOTAL appropriations of an administrative nature financed from the envelope for specific programmes |             | (6)   | 6,731     | 6,865      | 7,003     | 7,1430     | 7,285     | 7,432     | 7,541     |           | 50,000     |
| <b>TOTAL appropriations under HEADING 2 of the multiannual financial framework</b>                    | Commitments | =4+ 6 | 1 334,617 | 3 637,310  | 4 940,056 | 4 642,857  | 4 145,714 | 5 148,629 | 1 150,817 |           | 25 000,000 |
|   | Payments    | =5+ 6 | 74,063    | 107,104    | 3 621,688 | 6 627,214  | 3 130,870 | 3 134,113 | 5 629,014 | 2 675,203 | 25 000,000 |

<sup>39</sup> 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. Expenses may also cover, under each of the three instruments referred to in Article 3, the costs of other supporting activities such as quality control and monitoring of technical support projects on the ground and the costs of peer counselling and, experts and expert groups for the assessment and implementation of structural reforms (Art 7(3)); These expenses represent EUR 50 million, i.e. 0.2% of the RSP (EUR 20 million under budget the line 06.02.02 and EUR 30 million under the budget line 06.02.03.02).

**If more than one heading is affected by the proposal / initiative:**

|  |             |          |           |           |           |           |           |           |           |           |                   |
|--|-------------|----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-------------------|
| <b>TOTAL appropriations under HEADINGS 1 to 6 of the multiannual financial framework</b><br>(Reference amount) | Commitments | =4+<br>6 | 1 334,617 | 3 637,310 | 4 940,056 | 4 642,857 | 4 145,714 | 5 148,629 | 1 150,817 |           | <b>25 000,000</b> |
|  | Payments    | =5+<br>6 | 74,794    | 107,104   | 3 621,688 | 6 627,214 | 3 130,870 | 3 134,113 | 5 629,014 | 2 675,203 | <b>25 000,000</b> |

|   |          |                              |
|---|----------|------------------------------|
| <b>Heading of multiannual financial framework</b> | <b>7</b> | ‘Administrative expenditure’ |
|---|----------|------------------------------|

EUR million (to three decimal places where the decimal point is represented by a comma)

|                                    |                | Year<br>2021 | Year<br>2022 | Year<br>2023 | Year<br>2024 | Year<br>2025 | Year<br>2026 | Year<br>2027 | TOTAL   |
|------------------------------------|----------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------|
| DG: SRSS                           |                |              |              |              |              |              |              |              |         |
| • Human resources                  |                | 31,750       | 34,710       | 37,723       | 37,723       | 37,723       | 37,723       | 37,723       | 255,075 |
| • Other administrative expenditure |                | 2,500        | 2,700        | 3,000        | 3,000        | 3,000        | 3,000        | 3,000        | 20,200  |
| <b>TOTAL DG SRSS</b>               | Appropriations | 34,250       | 37,410       | 40,723       | 40,723       | 40,723       | 40,723       | 40,723       | 275,275 |

|  |                                      |        |        |        |        |        |        |        |         |
|--|--------------------------------------|--------|--------|--------|--------|--------|--------|--------|---------|
| <b>TOTAL appropriations under HEADING 7 of the multiannual financial framework</b> | (Total commitments = Total payments) | 34,250 | 37,410 | 40,723 | 40,723 | 40,723 | 40,723 | 40,723 | 275,275 |
|--|--------------------------------------|--------|--------|--------|--------|--------|--------|--------|---------|

EUR million (to three decimal places where the decimal point is represented by a comma)

|   |             | Year<br>2021 | Year<br>2022 | Year<br>2023 | Year<br>2024 | Year 2025 | Year 2026 | Year 2027 | Post-<br>2027 | TOTAL      |
|---|-------------|--------------|--------------|--------------|--------------|-----------|-----------|-----------|---------------|------------|
| TOTAL appropriations<br>under HEADINGS 1 to 7<br>of the multiannual financial framework | Commitments | 1 368,867    | 3 674,720    | 4 980,779    | 4 683,580    | 4 186,437 | 5 189,352 | 1 191,540 |               | 25 275,275 |
|   | Payments    | 109,044      | 144,514      | 3 662,411    | 6 667,937    | 3 171,593 | 3 174,836 | 5 669,737 | 2 675,203     | 25 275,275 |

### 3.2.2. Summary of estimated impact on appropriations of an administrative nature

- ☐ 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:

million (to three decimal places where the decimal point is represented by a comma)

|  | Year<br>2021 | Year<br>2022 | Year<br>2023 | Year<br>2024 | Year<br>2025 | Year<br>2026 | Year<br>2027 | Post-2027 | TOTAL   |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-----------|---------|
| <b>HEADING 7<br/>of the multiannual financial framework</b>                      |              |              |              |              |              |              |              |           |         |
| Human resources  | 31,750       | 34,710       | 37,723       | 37,723       | 37,723       | 37,723       | 37,723       |           | 255,075 |
| Other administrative expenditure   | 2,500        | 2,700        | 3,000        | 3,000        | 3,000        | 3,000        | 3,000        |           | 20,200  |
| <b>Subtotal HEADING 7<br/>of the multiannual financial framework</b>             | 34,250       | 37,410       | 40,723       | 40,723       | 40,723       | 40,723       | 40,723       |           | 275,275 |
| <b>Outside HEADING 7<sup>40</sup><br/>of the multiannual financial framework</b> |              |              |              |              |              |              |              |           |         |
| Human resources  |              |              |              |              |              |              |              |           |         |
| Other expenditure<br>of an administrative nature                                 | 6,731        | 6,865        | 7,003        | 7,143        | 7,285        | 7,432        | 7,510        |           | 50,000  |
| <b>Subtotal<br/>outside HEADING 7<br/>of the multiannual financial framework</b> | 6,731        | 6,865        | 7,003        | 7,143        | 7,285        | 7,430        | 7,541        |           | 50,000  |
| <b>TOTAL</b>   | 40,981       | 44,275       | 47,726       | 47,866       | 48,008       | 48,155       | 48,264       |           | 325,275 |

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.

<sup>40</sup> 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.

### 3.2.2.1. 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<br>2021      | Year<br>2022 | Year<br>2023 | Year<br>2024 | Year<br>2025 | Year<br>2026 | Year<br>2027 | Total      |
|--|-------------------|--------------|--------------|--------------|--------------|--------------|--------------|------------|
| <b>• Establishment plan posts (officials and temporary staff)</b>        |                   |              |              |              |              |              |              |            |
| XX 01 01 01 (Headquarters and Commission's Representation Offices)       | 196               | 214          | 233          | 233          | 233          | 233          | 233          | 233        |
| XX 01 01 02 (Delegations)  |                   |              |              |              |              |              |              |            |
| XX 01 05 01 (Indirect research)  |                   |              |              |              |              |              |              |            |
| 10 01 05 01 (Direct research)  |                   |              |              |              |              |              |              |            |
| <b>• External staff (in Full Time Equivalent unit: FTE)<sup>41</sup></b> |                   |              |              |              |              |              |              |            |
| XX 01 02 01 (AC, END, INT from the 'global envelope')                    | 49                | 54           | 58           | 58           | 58           | 58           | 58           | 58         |
| XX 01 02 02 (AC, AL, END, INT and JED in the delegations)                |                   |              |              |              |              |              |              |            |
| <b>XX 01 04 yy</b> <sup>42</sup>   | - at Headquarters |              |              |              |              |              |              |            |
|  | - in Delegations  |              |              |              |              |              |              |            |
| XX 01 05 02 (AC, END, INT - Indirect research)                           |                   |              |              |              |              |              |              |            |
| 10 01 05 02 (AC, END, INT - Direct research)                             |                   |              |              |              |              |              |              |            |
| Other budget lines (specify)   |                   |              |              |              |              |              |              |            |
| <b>TOTAL</b>   | <b>245</b>        | <b>268</b>   | <b>291</b>   | <b>291</b>   | <b>291</b>   | <b>291</b>   | <b>291</b>   | <b>291</b> |

**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.

<sup>41</sup> AC= Contract Staff; AL = Local Staff; END= Seconded National Expert; INT = agency staff; JED= Junior Experts in Delegations.

<sup>42</sup> Sub-ceiling for external staff covered by operational appropriations (former 'BA' lines).

Description of tasks to be carried out:

|                               |  |
|-------------------------------|--|
| Officials and temporary staff | <p>The task to be carried out comprise all tasks necessary to a) the processing of reform commitments, b) the analysis of fulfilment of reform commitments; c) the processing of Member States' request and subsequent management of projects and d) the financial and contractual management of the programme, namely:</p> <ul style="list-style-type: none"> <li>• Assessing Member States' submission and preparing related legal acts, including coordination with/contribution by other services or external experts</li> <li>• Assessing fulfilment of reform commitments and preparing related legal acts</li> <li>• Relations, reporting and negotiations with the EP, the Council and other EU institutions on the overall Programme</li> <li>• Relations with Member States and other stakeholders (inter alia on state of play on reform commitments); interactions within the European Semester</li> <li>• Organising procedures and preparing related legal acts on suspension, cancellation of payments and recovery of funds, organisation of calls for Member States, etc.</li> <li>• Preparing work programmes/financing decisions, establishing priorities</li> <li>• Managing contracting procedures</li> <li>• Communicating with stakeholders on contractual and financial matters</li> <li>• Preparation and organisation of the High Level Steering Group meetings with DGs concerned, Member States and other stakeholders.</li> <li>• Managing projects: design, implementation and follow up of projects and management of the contractual and financial side: commitment, payment, recovery order, etc.</li> <li>• Performing controls</li> <li>• Managing IT tools</li> <li>• 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</li> </ul> |
| External staff                | Support to the financial and administrative tasks.   |

### 3.2.3. Third-party contributions

The proposal/initiative:

- ☐ does not provide for co-financing by third parties
- ☒ provides for the co-financing by third parties estimated below:

Appropriations in EUR million (to three decimal places)

|                                  | Year<br>2021 | Year<br>2022 | Year<br>2023 | Year<br>2024 | Year<br>2025 | Year<br>2026 | Year<br>2027 | Total |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-------|
| Specify the co-financing body    |              |              |              |              |              |              |              |       |
| TOTAL appropriations co-financed |              |              |              |              |              |              |              |       |

### 3.3. 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 other revenue

please indicate, if the revenue is assigned to expenditure lines

☐

EUR million (to three decimal places)

| Budget revenue line: | Impact of the proposal/initiative <sup>43</sup> |      |      |      |      |      |      |
|----------------------|---|------|------|------|------|------|------|
|                      | 2021  | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
| Article .....        |   |      |      |      |      |      |      |

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

Other remarks (e.g. method/formula used for calculating the impact on revenue or any other information).

<sup>43</sup>

As regards traditional own resources (customs duties, sugar levies), the amounts indicated must be net amounts, i.e. gross amounts after deduction of 20 % for collection costs.