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REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL

Annual Monitoring Report on the implementation of Structural Reform Support Programme 2017

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INTRODUCTION

Since 2017, the European Commission has been managing a dedicated programme with an initial budget of EUR 142.8 million[1] (increased to EUR 222.8 million with the amendment of the Regulation (EU) 2017/825[2]) aimed at supporting Member States in the design and implementation of institutional, administrative and growth-enhancing reforms – the **Structural Reform Support Programme** (SRSP).

Structural reforms are, by their very nature, **complex processes**, the design and implementation of which require a complete chain of highly specialised knowledge and skills. In some Member States, the capacity to initiate and implement structural reforms is often not adequate to address the administrative, economic and social challenges that such reforms entail.

The objective of the Structural Reform Support Programme is thus to help Member States **address those challenges** and **strengthen their capacity** to prepare and implement institutional, administrative and growth-enhancing reforms, thereby contributing to strengthening institutions, governance processes, public administrations as well as to improving performance and resilience of the economic and social sectors. The goal is to enhance cohesion, competitiveness, productivity, sustainable growth, job creation and investment.

IMPLEMENTATION OF THE PROGRAMME IN YEAR 2017

2017 was the first year of the implementation of activities under the SRSP. Already in the first round of the Programme, the **demand from Member States far exceeded the available budget**. 16 Member States submitted 271 requests for support for an estimated amount almost 4 times the available annual SRSP 2017 budget of EUR 22.5 million.

To select the requests from the Member States for funding under the SRSP in 2017, the Commission **assessed the requests against the principles and criteria** established in the SRSP Regulation. As a result, **159 requests from 16 Member States** were selected for funding.

[1] 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) 1303/2013 and (EU) No 1305/2013 (SRSP Regulation).

[2] On 6 December 2017, the Commission proposed to amend the SRSP Regulation to increase the budget of the Programme by EUR 80 million and add support for euro-area membership to the goals for which the Programme contributes. The Regulation (EU) 2018/1671 of the European Parliament and of the Council of 23 October 2018 amending Regulation (EU) 2017/825 to increase the financial envelope of the Structural Reform Support Programme and adapt its general objective entered into force on 13 November 2018.

The distribution of the selected requests across the main policy areas was as follows:

- 29% in the area of labour market, education, health and social policy;
- 28% in the area of growth and business environment;
- 18% in the area of revenue administration and public financial management;
- 16% related to financial services and access to finance; and
- 9% related to governance and public administration.

In line with the principle of sound financial management, priority for funding was given to requests that allowed for **quick delivery of support and rapid implementation of reforms on the ground,** and to requests addressing **defined objectives, with strong expected results on the ground**.

Almost **90% of the requests that were selected for funding in 2017 relate directly to EU's strategic priorities**.

The breakdown of the selected requests split according to the relevant circumstances under which they may be submitted under the SRSP Regulation (Article 7(3)) was as follows:

- 51% of selected requests related to the implementation of reforms in response to challenges highlighted in the process of the European Semester (Country-Specific Recommendations, country reports);
- 27% of selected requests related to the implementation of the Union strategic priorities (Capital Markets Union, Energy Union and climate, etc.);
- 7% of selected requests related to the implementation of Union law; and
- 4% of selected requests related to the implementation of the EU's economic adjustment programmes.

While it is not in the remit of this report to evaluate the actual impact of the support measures, it is fair to say that already 14 months since the start of the implementation of the support measures selected for funding, the Programme had **started to deliver the expected outputs** – whether in the form of strategic and legal advice, studies, training, workshops, recommendations, actions plans, etc.

By 31 October 2018, 12% of the reform support projects had already been delivered (finalised), 82% had begun to be implemented on the ground and 6% were under preparation.

The largest proportion of **support measures implemented in 2017** aim at:

- improving the functioning of national revenue administrations (11%);
- promoting the development of national and cross-border capital markets (9%);
- making healthcare systems more accessible, effective and resilient (9%);
- reforming the energy frameworks, including transitioning towards low-carbon economy, promoting energy efficiency and renewable energy (6%);
- strengthening education and training schemes (5%); and
- enhancing the efficiency and effectiveness of the public sector (5%).

PROGRESS IN RELATION TO PROGRAMME'S OBJECTIVES

The Programme is also on track when it comes to delivering on its general objective[3]. Support measures are being implemented in those policy sectors for which institutional, administrative and/or structural reforms have been envisaged and/or should be undertaken by the Member States, also thanks to the support provided. In particular, all of the support measures selected under the SRSP 2017 round contribute to the implementation of **institutional, administrative and structural reforms** that Member States carry out in **various economic and social sectors**, and which are being undertaken **in response to economic and social challenges.**

Overall, the first year of implementation of the SRSP shows that the SRSP can offer a **significant contribution** in helping the Member States' national authorities in their efforts to **identify and overcome certain structural weaknesses** hindering the design and implementation of reforms. The Programme has for example helped reviewing the current law-making procedures, identifying weaknesses and providing recommendations for improvements. Likewise, the Programme has also proven to be an important tool helping to enhance the capacity of Member States to define more efficient processes and methodologies (improving the efficiency of health system) and/or to progress towards more effective human resource management (exchange of experiences among judges from different Member States to share their national practices with the requesting Member State).

Actions selected under the SRSP 2017 round are designed to ensure European added value inter alia through **complementarity and synergies with other programmes** and policies at national, Union and international level, and/or through their contribution to the **promotion of mutual trust and cooperation** between beneficiary Member States and the Commission. In addition, actions also aim to allow for the development and implementation of solutions that address national challenges but also have a positive impact on **cross-border or Union-wide challenges**. As an example, the following support measures can be singled out:

- support measures strengthening the development of **regional capital markets** and facilitating the introduction of a pan-regional covered bond framework;
- support for the assessment of the **performance of health systems** in parallel in two countries, benefiting from EU level mutual learning and cooperation and building on the experience from one Member States to help tailor support for another one;
- establishing mutual trust by enabling **exchange of experts between a national ministerial energy authority and another administration** to help better understand, measure and combat energy poverty; or
- enabling exchanges of best practice between several countries on the introduction of **different pension schemes**.

Since the Commission is in a better position than any single Member State to **identify and channel good practices,** in many instances, the support measures delivered to the Member States have consisted or have been complemented through the exchange of good practices among the Member States and by international organisations. This has also

[3] Some external factors may influence the results of the support measures and there is a risk that the sought reforms are not implemented in the end. For this reason, the causal link between the support measures provided under the Programme and the achievement of the general objective has to be evaluated on a case-by-case basis and by taking into account the influencing external factors.

enabled **efficiency gains**, as positive results in one Member State can often be implemented in another one.

CONCLUSION

Overall, the first year of implementation of the SRSP shows that it can **significantly contribute to the continued efforts of the national authorities of the Member States to identify and overcome certain structural weaknesses** and bottlenecks in the design or implementation of reforms, and in the reform prioritisation. Likewise, the Programme has so far proven to be a significant tool in enhancing Member States' capacity to define more efficient processes and methodologies and/or to progress towards more effective human resource management.

However, while the results of the support actions are related to the specific projects, the effective follow-up on such actions in terms of implementation of concrete reforms remains **a prerogative of the recipient Member State**.

The Commission will continue to monitor the uptake of the support measures, as well as the implementation of institutional, administrative and growth-enhancing reforms (the achievement of the objective of the Programme) in the years to come.