



*European Economic and Social Committee*

ECO/450

**Support to structural reforms in the Member States**

## **OPINION**

European Economic and Social Committee

**Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) 2017/825 to increase the financial envelope of the Structural Reform Support Programme and adapt its general objective**

[COM(2017) 825 final – 2017/0334 (COD)]

**Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006 as regards support to structural reforms in Member States**

[COM(2017) 826 final – 2017/0336 (COD)]

Rapporteur: **Mihai IVAȘCU**

Co-rapporteur: **Stefano PALMIERI**

Consultation	European Parliament, 14/12/2017 Council of the European Union, 21/12/2017 and 31/01/2018
Legal basis	Articles 175, 177, 197(2) and 304 of the Treaty on the Functioning of the European Union
Section responsible	Economic and Monetary Union and Economic and Social Cohesion
Adopted in section	28/02/2018
Adopted at plenary	14/03/2018
Plenary session No	533
Outcome of vote (for/against/abstentions)	183/2/9

## 1. **Conclusions and recommendations**

- 1.1 The EESC supports the proposal to increase the Structural Reform Support Programme (SRSP) budget and to include a dedicated reform delivery tool for the "reform commitments". Priority should go to the reforms that have direct spill-over effects on the other Member States.
- 1.2 The EESC, in accordance with its previous opinions, advocates structural reforms geared towards social and economic development, including institutional capacity-building to improve administrative quality. Such reforms should be country-specific and backed by democratic support, avoiding a one-size-fits-all approach for all Member States.
- 1.3 The EESC highlights that structural reforms are positive not only if they reduce public expenditure in a socially sustainable way, but also when they increase it in the short term, in order to improve the Member States' budget balance in the medium to long term.
- 1.4 While the increase in the SRSP budget is welcomed, its scale is insufficient considering the growing number of requests from the Member States. For 2018 alone, the requests amount to five times the proposed budget.
- 1.5 On the other hand, the EESC believes that it is very important that the European Commission presents its intentions regarding the distribution of the new SRSP budget transparently - which is not the case in this proposal - and develop clear selection criteria.
- 1.6 The EESC highlights that the increase of the financial envelope of the Structural Reform Support Programme must take place without penalising the budgets of other equally important funds.
- 1.7 Most importantly, a clear strategy at EU level is paramount. This should monitor the progress and level of development in each Member State, but also present visionary guidelines for the allocation of funds, taking into consideration convergence criteria. Sharing of best practices should also be stepped up, with the European Commission providing the necessary technical support.
- 1.8 Special attention should be given to non-eurozone Member States that are on track to join the euro area. Speeding up this process is key for the future of the European Union, as advocated by Jean-Claude Juncker in his speech on the future of Europe<sup>1</sup>.
- 1.9 The EESC suggests introducing a rule whereby no financing should be given to a Member State unless they have fully adopted the application of the Partnership principle with a real involvement of the social partners and civil society when deciding on the multiannual reform commitment packages<sup>2</sup>. The Partnership principle application is paramount for ensuring the

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<sup>1</sup> [State of the Union 2017](#)

<sup>2</sup> [Commission Delegated Regulation \(EU\) No 240/2014 of 7 January 2014 on the European code of conduct on partnership in the framework of the European Structural and Investment Funds](#)

delivery of evidence-based reforms, connected to the real-life situation in the economies of each Member State.

- 1.10 The EESC endorses the intention to provide the new reform tool with its own dedicated financing mechanism in the post-2020 multiannual framework.
- 1.11 The EESC recommends that on a case by case basis, certain SRSP reforms should be funded and linked with the new reform delivery tool, especially when it comes to joining the eurozone or reforms that could further increase European integration.

## 2. **Introduction and general comments**

- 2.1 Within its Economic and Monetary Union package published in December 2017, the European Commission put forward two specific proposals for regulations to be adopted under the normal legislative procedure: one on strengthening the Structural Reform Support Programme in order to boost technical support available for all Member States and to create a dedicated work stream to support non-euro Member States in their convergence process<sup>3</sup> and another one introducing targeted changes to the Common Provisions Regulation in order to extend the possibilities to use the performance reserve built into the existing European Structural and Investment Funds in support of national reforms<sup>4</sup>.
- 2.2 The EESC has received a total of four specific letters of referral: two from the European Parliament and two from the Council on each of these two proposals for regulations. The purpose of this opinion is therefore to set out the EESC's views on these two legislative proposals, in response to the specific institutional requests and without prejudice to further work by the Committee on the rest of the Commission's EMU package.
- 2.3 The EESC believes that the reform delivery tool could be an important instrument for helping Member States that do not have a good track record on spending the structural funding made available to make better use of them and reduce economic cleavages in a socially sustainable way.
- 2.4 A new reform delivery tool to support Member States' reform commitments under the European Semester is key. Priority should go to reforms that have direct spill-over effects on the other Member States. However, the EESC calls for active and detailed monitoring of progress on implementation, under the European Semester.

## 3. **Proposals to support structural reforms in the Member States**

- 3.1 The EESC reiterates that it is essential that the Member States ensure the application of the Partnership principle and the real involvement of the social partners and organised civil society when deciding on the structural reform strategy they want to promote, as well as during the

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<sup>3</sup> [COM\(2017\) 825 final](#)

<sup>4</sup> [COM\(2017\) 826 final](#)

monitoring process through the European Semester. In order to ensure that genuine application of the principle takes place in all Member States, the EESC suggests introducing a rule whereby no funds should be allocated unless they have fully involved organised civil society when deciding on the multiannual reform commitment packages.

- 3.2 Since the introduction of the SRSP in 2017, 16 Member States have expressed the intention to benefit from its financing. While the allocated budget was EUR 22.5 million, the 271 requests have exceeded EUR 80 million. For 2018, the Commission proposed a budget of EUR 30.5 million. However, 24 Member States have submitted 444 requests that exceed EUR 150 million in total.
- 3.3 The EESC welcomes the increased funding for the Structural Reform Support Programme but questions the effectiveness of the measure, considering the volume of requests from the Member States.
- 3.4 The EESC recommends that the increase of the financial envelope of the Structural Reform Support Programme must take place without jeopardising the budgets of other equally important funds.
- 3.5 The EESC considers very important that the Commission present its intentions regarding the distribution of the new SRSP budget transparently, so that every Member State can receive a fair share of the available support in accordance with the reforms that are carried out.
- 3.6 The European Commission needs to set clear and objective rules for selecting the reforms to be financed from the EU budget, while making sure that all Member States have equal access to the funds. Furthermore, the reforms that are put up for financing should be in line with the EU strategy and strictly monitored through the European Semester.
- 3.7 Given that Member States already have their own reform initiatives, the EESC recommends that the SRSP should focus on the measures that will best support the country-specific recommendations.
- 3.8 It must be remembered that the Member States can finance the reforms themselves and this incentive by the SRSP budget from the European Commission should not mean that they must rely only on EU financing. The functioning of the entire Economic and Monetary Union is based on subsidiarity and responsible action by each and every Member State.
- 3.9 Taking into consideration the limited resources, the EESC believes that the European Commission should support reforms and measures that could have a multiplier effect for the actions carried out by Member States on their own.
- 3.10 The EESC, in accordance with its previous opinions, advocates structural reforms geared towards social and economic development: more and better jobs, competitiveness of and competition in manufacturing and services, administrative and institutional quality, good and

efficient public services and environmental sustainability<sup>5</sup>. Such reforms should be country-specific, consistent with National Reform Programmes (NRPs) and backed by democratic support, not a one-size-fits-all approach for all Member States.

3.11 Considering the Treaty obligation incumbent on almost all Member States to join the euro, the EESC recommends that special attention should be given to reforms aimed at expanding the eurozone and, if possible, additional funding should be allocated for these objectives.

3.12 The European Union is better placed than the Member States themselves to monitor the progress made by non-eurozone countries. Best practices should be shared throughout the process and the EESC recommends that a designated communication platform be established for this purpose.

#### 4. **Proposal to introduce a new reform delivery tool as regards support to structural reforms in Member States**

4.1 Recognising the fact that the term "structural reform" has become very broad, the EESC is pleased that the definition is included in the proposed regulation.

4.2 The EESC recommends that the European Commission work with the Member States to pursue different avenues for fiscal and budgetary sustainability. Some reforms could imply more public expenditure in the short term, in order to implement new processes and activities which will contribute to saving resources or collecting more revenue in the medium to long term only. Therefore, it is advisable not to look only at short-term cost cutting measures, but at ways to increase budget revenues as well.

4.3 The EESC welcomes the new reform delivery tool proposed under the post-2020 Multiannual Financial Framework, considering that the European institutions must work very closely with Member States to achieve stronger integration and convergence in the Union. The EESC calls for active and detailed monitoring of the progress on implementation, under the European Semester.

4.4 While the European Semester and the country reports developed as part of it comprise an excellent core vehicle for reform support programme evaluation, the EESC believes that further instruments must be developed to assess progress correctly. These instruments should be tailored to the specific economic requirements of each Member State.

4.5 The EESC endorses the temporary solution for financing the pilot phase of the new reform delivery tool through the performance reserve. This proposal should not interfere with existing European Structural and Investment Funds (ESI), but rather have a dedicated separate budget.

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<sup>5</sup> For example, improving the business environment, the financing of companies and R&D expenditure; increasing the productivity of companies, sectors and economies; promoting the creation of good quality jobs with higher wages, and the simultaneous reduction of temporary and unstable jobs with low wages; strengthening collective bargaining, and the autonomy of the social partners in it, and social dialogue at local, regional, national and European levels; reforming public administrations to make them more effective for economic and social development, and more transparent for the public; promoting the quality of education and training systems for workers to bring about equal opportunities and results for all social groups.

- 4.6 Progress made by each Member State should be monitored swiftly through the European Semester. This reporting process should give a clear picture of the progress achieved and further budgeting needs.
- 4.7 Given that the new reform delivery tool would complement the voluntary technical support provided via SRSP, the EESC recommends that on a case by case basis, certain reforms should be funded and linked with the new reform delivery tool, especially when it comes to joining the eurozone or reforms that could further increase European integration.

Brussels, 14 March 2018

Georges Dassis  
The president of the European Economic and Social Committee

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