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# MESSAGE FROM VICE-PRESIDENT DOMBROVSKIS

It is with great pleasure that I present this report on the first three years of operation of the European Commission's Structural Reform Support Service. Over this period, the Service has successfully provided support, through the Structural Reform Support Programme or other sources, for almost 500 reform projects in 25 EU countries — an impressive achievement indeed.

Implementing structural reforms is crucial to modernising European economies and boosting their competitiveness, growth potential and capacity to adjust to changing times. Well-targeted reforms of public institutions and of labour, product and service markets will lead to more investment and jobs and better social conditions.

Our economic destinies are bound together by the internal market and the euro. Reforms have therefore become a matter of common concern. Through the Structural Reform Support Service, the Commission supports Member States' reform initiatives while enabling them to share best practices and learn from each other's experience.

The European Commission intends to continue and further expand the work of the Structural Reform Support Service, building on its success so far and strengthening our reform partnerships.

### **Valdis Dombrovskis**

Vice-President of the European Commission

# MESSAGE FROM THE DIRECTOR-GENERAL OF THE STRUCTURAL REFORM SUPPORT SERVICE (SRSS)

### Making a difference

The success of our economic and monetary union depends on the strength and resilience of the economies of our Member States. In a rapidly changing world, Member States need to modernise their policies and institutions to ensure lasting prosperity for their people. This means, for example, reforming education and healthcare systems, creating business-friendly environments, providing for responsible fiscal and tax policies, increasing the efficiency of national public administrations and judicial systems. Well-functioning economies and administrations of the Member States are crucial for the success of the European economic and monetary union and for improving access to finance.

This is why, in 2015, the European Commission decided to create the Structural Reform Support Service. The service is unique in many ways. The technical support it offers is purely on demand, tailormade to the beneficiary Member States and easy to use. It covers virtually all areas of structural reforms.

Since the launch of the service, demand for SRSS support has far outstripped our own expectations. To date, the SRSS has engaged, through the Structural Reform Support Programme or other sources, in almost 500 technical support projects in 25 EU countries. It has also taken on special assignments like support for migration management in Greece until June 2018, support for Cyprus's reunification and a new role as the Commission's coordinating service for public administration and governance in June 2018.



In the years to come, we will continue to support reform initiatives in EU Member States, by providing the right expertise and encouragement. This report shows what the Structural Reform Support Service has achieved so far, where its support has made a difference, and where we see areas for future work. It is intended to inform European citizens and to stimulate interest in the practical aspects of reforms.

### **Maarten Verwey**

Director-General, Structural **Reform Support Service** 



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# **HOW WE STARTED**

The Structural Reform Support Service grew out of the EU's initial efforts to help its member countries overcome the effects of the euro crisis that started in 2009.

### 2011

The first step was the creation by the Commission of a special **Task Force for Greece**, at the request of the Greek authorities. The goal was to help the country make a series of reforms, which formed part of its financial assistance package from the EU ('economic adjustment programme').

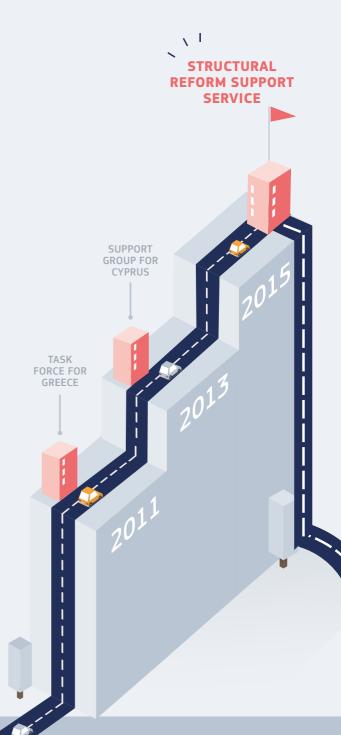
The reforms covered all sectors of the economy and were designed to bring about rapid economic recovery. The task force was also mandated to help the Greek authorities more rapidly absorb EU funds targeting economic competitiveness, growth and employment.

### 2013

The Greek task force was followed in 2013-at the request of the Cypriot authorities — by a similar body, with a similar mission — the **Support Group for Cyprus.** 

#### 2015

Given the success of these task forces, and seeing the benefits that structural reforms could have in making economies more flexible and competitive, in 2015 the Commission decided to create a more permanent structure that could serve all EU countries, whether they were under an adjustment programme or not. The **Structural Reform Support Service (SRSS)** was born.



# WHAT DO WE DO NOW?

The SRSS has a mandate to help EU member countries prepare, design and implement growth-generating reforms. The focus is on providing **tailor-made support on the ground.** 

We also steer and coordinate the 'technical support' offered to these countries by the Commission.

Broadly speaking, our support provides input on the **practical aspects** of reforms — in the form of strategic or legal advice, studies, training and in-country missions by experts. It covers the **whole reform cycle** — from identifying needs through implementation to monitoring & evaluating outcomes.

The SRSS also undertakes special assignments to deal with **specific issues faced by particular countries**, such as migration management in Greece (until June 2018) and support for Cyprus's reunification.

# PROGRAMME & BUDGET

Since 2017, we have been managing a dedicated programme — the Structural Reform Support Programme (SRSP) — with a budget of €222.8 million for 2017-2020.

Under the programme, Member States can also transfer a part of unused EU funds allocated to them to the SRSS. So far two Member States (Greece and Bulgaria) have made use of this possibility.

The programme is the main source of funding for **technical support projects** in EU countries and does not require co-financing by the countries concerned.

Countries can request help from the programme to implement the following:

- reforms proposed by the Commission, for example in its annual economic policy recommendations (the 'European Semester' process)
- measures they have to take to implement EU law or Union priorities
- assistance packages to combat financial crises ('economic adjustment programmes')
- · reforms undertaken at their own initiative

Having a dedicated programme has allowed the SRSS to significantly increase the assistance it provides to national governments — today we support **projects in 25 EU countries.** 



# WHERE WE HELP

The SRSS provides support in five main areas:



# Governance & public administration

The SRSS works with the different levels of government in EU Member States (national, regional and local) on reforms targeting effectiveness and efficiency in administration. Its work focuses on the operational aspects of administration, transparency and ethics, anti-corruption and anti-fraud, procurement, justice and digitisation.



# Growth & business environment

The SRSS helps EU Member States build strong and green economies with competitive and innovative businesses. The reforms target key sectors such as energy, environment, trade and transport, better regulation, licensing and inspection, investment management and governance of public companies.



# Labour market, education, health

The SRSS supports EU Member States to improve pension and health systems, address skills gaps, reform education, promote social cohesion, help migrants and refugees' integration and make labour markets more effective.



# Revenue administration, tax policy & public financial management

The SRSS assists EU Member States with reforming their tax policies and revenue administrations to collect taxes in a fair and efficient way, and with reforming their public financial management to achieve efficient allocation of public funds.



# Financial sector & access to finance

The SRSS works with governments, central banks and supervisory authorities on reforms for the financial sector designed to improve access to finance for companies, increase financial supervisory capacity, strengthen crisis management mechanisms and ensure the efficient allocation of capital.



'The experts of the SRSS, and in particular the Irish experts, carried out an in-depth examination of the problems of the Cypriot judicial system in close cooperation with the Supreme Court, the Cyprus Bar Association and the relevant Ministries, and came up with recommendations to address them. We are facing the most important reform of the structure and functioning of the Court system that has taken place over the last years and we are grateful to the European Union and the Irish Public Authority for their great help.'

President of the Cypriot
Supreme Court

# HOW WE WORK

The **technical support** provided by the SRSS can take the form of:

- expert & fact-finding missions on the ground to assess the situation
- diagnostic analyses & recommendations on how to address the situation
- sharing of relevant best practices through seminars, conferences & workshops
- development and implementation of targeted solutions to address the situation

The support is on demand, tailored to the needs of the beneficiary through dialogue, and easy to use.

To deliver this support, we use a **wide range of experts** from national administrations, international organisations (including the Commission) and private firms/consultancies

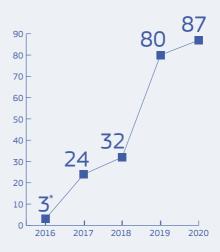
# ANNUAL PROGRAMME CYCLES

Projects to provide technical support are funded by the Structural Reform Support Programme in annual cycles, as follows:

- **1.** Every year, EU governments **submit their request** for technical support to the SRSS, identifying their priorities and policy areas.
- **2.** We analyse the requests, based on the urgency of the proposed reform, the nature of the problem and the type of support needed. We also examine the relevant socioeconomic indicators and the general administrative capacity of the country concerned, as well as any other relevant EU-funded measures it may already be benefiting from.
- **3.** We **discuss our findings** with the country submitting the request.
- **4.** We come to an **agreement** with the submitting country on the priority areas for support, its objectives and scope, an indicative timeline and an estimated total financial contribution from the programme this is included in a **cooperation and support plan** agreed with the country.

The whole process is designed to be transparent, give equal treatment to all requests and apply principles of sound financial management.

Not counting the preparatory year 2016, there have been two annual cycles so far: 2017 and 2018.



**Total budget allocation** (in million of €)

\* preparatory measures





# EXAMPLES OF PROJECTS FINANCED IN 2017 INCLUDE:



€24



REQUESTS RECEIVED FOR SUPPORT WORTH €83 MILLION







# CROATIA

# STRENGTHENING THE EFFECTIVENESS OF THE JUDICIAL SYSTEM

The SRSS enabled judges from France, the Netherlands and Slovenia to share their national practices with the Croatian authorities. The project focused on court administration, individual evaluation of judges and certification of professionals assisting the court as experts, interpreters and appraisers. Several proposals for laws were drafted in these three areas thanks to the support provided. They are now being finalised by the Ministry of Justice.

'The national experts appreciated SRSS's coaching approach in the project implementation. The working environment is productive towards reaching common goals and each project participant is valued.'

# **Latvian State Revenue Service**Supporting the State Revenue Service in

Supporting the State Revenue Service in implementing Latvia's mid-term tax strategy

'The SRSS has shown a high level of competence and took good care of matching our needs with providing suitable support. Tailor-made support was provided in a smooth and professional manner. We view the SRSS as a partner who is extremely concerned about our interests and strives to achieve the best possible quality in the project implementation.'

### **Bulgarian Ministry of Economy**

Supporting the development of tools for assisting SMEs with regulatory compliance in Bulgaria



# **BULGARIA**

# DEVELOPING TOOLS TO HELP SMALL BUSINESSES WITH REGULATORY COMPLIANCE

The SRSS is helping the Ministry of Economy to promote entrepreneurship and make it easier for small businesses to comply with the law. Drawing on business surveys, desk reviews and interviews with public authorities and business associations, the project is producing simple and user-friendly online guides for the 30 most complex and 70 most common regulations. The guides follow the life cycle of a business and offer step-by-step help to comply with complex and common administrative procedures.

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Requests selected for SRSP 2017 funding

(Per Member State)

# Labour market, education, health & social services

# Financial sector & access to finance

# **SLOVAKIA**

# IMPROVING THE HEALTH SYSTEM

The SRSS provides technical support for the Ministry of Health and the Institute for Health Policies to pave the way for substantial reform to make the health system more effective and efficient. Support focuses on three main areas: (i) assessing hospital facilities and devising ways of optimising nationwide provision; (ii) strengthening the role of general practitioners and proposing new roles and competences for them; (iii) drafting guidelines and pooling experiences with a view to fair and open procurement of medical devices and equipment. Support was backed by exchanges of good practice with key players in other EU countries.

Revenue administration, tax policy & public financial management

# **LATVIA**

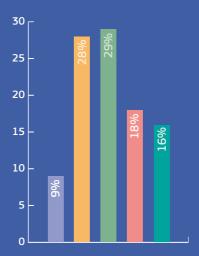
# SUPPORTING THE STATE REVENUE SERVICE IN IMPLEMENTING LATVIA'S MID-TERM TAX STRATEGY

The SRSS is working with State Revenue Service officials to identify discrepancies between potential VAT collectable and actual VAT collected and analyse the main kinds of VAT fraud committed. Building on best international practices it is also developing a tax compliance strategy and administrative measures to tackle fraud.

# **ROMANIA**

### **ACCESS TO FINANCE**

The SRSS is supporting the Ministry of Public Finance with setting up a national development bank. The project extends from design through to implementation. It includes assessing the market, producing a feasibility study and drafting strategic and business plans for the bank.



# Requests selected for SRSP 2017 funding

(per Area)

- Governance & public administration
- Growth & business environment
- Labour market, education, health & social services
- Revenue administration, tax policy & public financial management
- Financial sector& access to finance



# EXAMPLES OF PROJECTS FINANCED IN 2018 INCLUDE:













The SRSS is helping the authorities to make the management of the whistleblowing mechanism easier and more efficient. The project involves evaluating the needs and capacity of the current system, making recommendations on how to improve the handling of whistleblowing cases and designing a system of evaluation of the whistleblowing mechanism.



### INTERNATIONALISATION. **INVESTMENT AND INNOVATION**

The SRSS is working with the Ministry of Economic Development and Technology to promote trade and investment in Slovenia. The project focuses on developing an action plan for 2019-2020, setting up one-stop-shop services for exporters and investors, designing a proactive approach for targeting foreign investors and export markets and ensuring monitoring & evaluation. It will also support cooperation with other regions in the EU on innovation and joint work plans on smart specialisation.



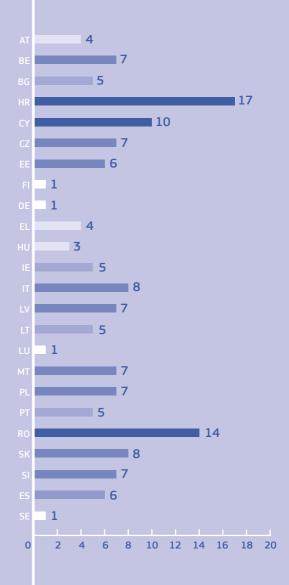
# **AUSTRIA**

### NATIONAL YOUTH **INTEGRATION STRATEGY** FOR MIGRANTS AND REFUGEES

The SRSS is helping the Ministry of Families and Youth to design and implement a national strategy for integrating young migrants and refugees. It provides technical support for: (i) assessing the current situation (including selected good practices from other Member States, and data analysis); (ii) drafting a national strategy for integrating young people (including its validation through a series of workshops); (iii) implementing the national strategy (including support for monitoring and evaluation).

### **Requests selected for** SRSP 2018 funding

(Per Member State)





# **SWEDEN**

### COMBATING TAX FRAUD

The SRSS is helping the Swedish tax administration to strengthen its capacity to assess the corporate income tax (CIT) gap, namely the gap between corporate income tax revenues as they 'should be' collected and as they 'are' collected. The support involves reviewing the CIT policy structure in place and transferring knowledge of the best estimation methodology to be used in terms of model structure and design, as well as estimating and analysing the gap.



# **ESTONIA**

# SETTING UP PRE-INSOLVENCY EARLY WARNING MECHANISMS

Based on best international standards and practical use of such systems in other Member States, the SRSS is helping to set up pre-insolvency early warning mechanisms and develop solutions for out-of-court settlements. The project should enable more effective reorganisation of viable businesses.

'We decided to apply for support from the Structural Reform Support Programme of the European Commission because it can provide us with tailor-made and unique expertise. We appreciate the exceptional cooperation with the representatives of the European Commission and their help in determining key elements of the project.'

Slovenian Ministry of Economic Development and Technology Promoting internationalisation, investment, and innovation in Slovenia



'With the support of the Commission's Structural Reform Support Programme, Austria is improving its coordination efforts in the area of youth work, focusing on all actors involved in the integration process of young migrants and refugees into its society. Unbureaucratic procedures contribute to maximising project outcomes.'

**Austrian Ministry of Family and Youth** National Youth Integration Strategy for Migrants and Refugees in Austria

- Governance & public administration
- Growth & business environment
- Labour market, education, health & social services
- Revenue administration, tax policy & public financial management
- Financial sector & access to finance

# SUPPORTING THE REUNIFICATION OF CYPRUS

The SRSS is supporting the process linked to settlement talks under UN auspices, and overseeing the implementation of the Green Line Regulation and the Aid Programme for the Turkish Cypriot community. In the run-up to the Conference on Cyprus in July 2017, more than 200 Commission experts took part in more than 40 missions to present EU law and assess the level of its adoption by the Turkish Cypriot community.

### **Examples**

# SUPPORT FOR THE COMMITTEE ON MISSING PERSONS

The Committee on Missing Persons is carrying out world-renowned work to identify the remains of 2 002 Cypriots who went missing during the intercommunal fighting of 1963/64 and the events of 1974, and return them to their families. To date, 1 218 sets of remains have been exhumed, of which 885 have been genetically identified and returned to their families.

# SCHOLARSHIP PROGRAMME FOR THE TURKISH CYPRIOT COMMUNITY

Each year, more than 100 Turkish Cypriots attend undergraduate or postgraduate courses, short-term courses or internships in other EU Member States. The scholarships' success is shown by the rising number of applications.

# BI-COMMUNAL TECHNICAL COMMITTEE ON CULTURAL HERITAGE

Support for the conservation of island-wide cultural heritage boosts trust and cooperation between the two communities. Recent examples include works on the Martinengo bastion and a cluster of churches in Famagusta; the Paphos Hammam; and the monastery of Agios Panteleimonas.

# **SUPPORTING** THE MIGRATION **MANAGEMENT** IN GREECE

Working closely with other relevant Commission departments and EU agencies, the SRSS supported the Greek authorities in managing the migration crisis between September 2015 and June 2018. In line with the personal mandate received from Commission President Jean-Claude Juncker in March 2016, the Director-General of the SRSS oversaw the implementation of the EU-Turkey Statement on migration, which focuses on reducing irregular migration via the Greek Aegean islands. The SRSS coordinated support from EU Member States and EU agencies and helped the Greek authorities build the capacity needed to manage migration flows.

# **Examples**

## REORGANISING THE ASYLUM CHAIN IN GREECE

The SRSS provided legal advice on amending asylum laws, aiming at a fair but more efficient asylum and return process. It conducted an organisational review of all the steps in the asylum chain to maximise efficiency and improve resource allocation. The project produced standard operating procedures, templates, manuals and information material, allowing the Greek administration and EU agencies to work together smoothly. The SRSS also advised on information management, to increase transparency at every step of the process.

### SUPPORTING THE RECEPTION AND IDENTIFICATION SERVICE OF THE MINISTRY OF MIGRATION POLICY TO MANAGE RECEPTION **CONDITIONS AT THE HOTSPOTS**

The SRSS helped the Reception and Identification Service to design and implement standard operational procedures in reception centres at hotspots on the Greek islands, and to draft information for arriving migrants and asylum applicants. Working closely with Commission departments, the SRSS helped the Reception and Identification Service to take measures to protect migrants in cold weather, provide rented accommodation for vulnerable asylum applicants and create extra, up-to-standard reception facilities for unaccompanied minors.

# FOCUS STORY SUPPORT FOR GREECE IN THE CONTEXT OF THE FINANCIAL CRISIS

'Since 2015 the Structural Reform Support
Service has supported the Greek authorities
with more than 140 structural reform projects,
thus helping Greece successfully implement
and exit its economic adjustment programme in
August 2018.'

Secretary General for Coordination of the Greek government

In July 2011, the Commission set up a special **Task Force for Greece**, at the request of the Greek authorities. The goal was to help the country make a series of reforms, which formed part of its financial package from the EU ('economic adjustment programme'). The task force was also mandated to help the authorities more rapidly use EU funds that target competitiveness, growth and employment. This technical support continued from July 2015 under the **SRSS**.

More than 140 projects have been started to boost administrative capacity to design, roll-out and make a success of structural reforms.

### Examples include:

- the launch of a national guaranteed minimum income (the social solidarity income), providing a safety net to households living in extreme poverty;
- a new Independent Authority for Public
   Revenue, ensuring efficient collection of taxes;
- a new investment licensing system for businesses, making it easier to set up and run a business:
- policy recommendations for modernising the education system, ensuring that students are better equipped with skills and competencies to succeed in the 21st century;
- the design of new out-of-court workout arrangements, providing the option of nonjudicial solutions to outstanding private and public debt claims;

- the implementation of the country's
   Anti-Corruption Action Plan, increasing integrity, ethics and transparency within the public administration and the judicial system;
- a new framework for collection of assets for private debts (an electronic platform for auctions), allowing private claims to be settled without recourse to a court.

The SRSS's technical support helped Greece carry out its reform commitments. Greece left the economic adjustment programme in August 2018.

The SRSS will continue to support the Greek authorities in implementing reforms.





The capital markets union is a European Commission plan to mobilise capital in Europe by creating deeper and more integrated capital markets. Since 2016, alongside the Commission's EU-wide efforts, the SRSS has been supporting Member States with reforms that aim to develop their local capital markets and improve their integration across borders.

The SRSS adopts a country-specific three stage approach to supporting Member States with capital market development:

- 1. with the authorities, comprehensively analysing the current state of capital market development and identifying national impediments to further development;
- **2.** where necessary, assisting with the development of arrangements to improve access to market infrastructure; and
- **3.** supporting efforts to deepen and widen capital market access in a Member State.

Some 28 projects across 17 Member States have been supported so far. Notable examples include:

- supporting Latvia, Lithuania and Estonia in their efforts to create a pan-Baltic covered bond framework;
- conducting a capital markets diagnostic in Italy to recommend improvements to SME access to finance;
- evaluating impediments to the development of financial technology ('fintech') in Slovakia;
- improving the regional connectivity of central securities depositories in Hungary;
- working with the Croatian financial sector supervisor to upgrade risk-based supervision; and
- supporting the setting-up of a national promotional bank in Romania.

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# OUTLOOK FOR THE SRSS

### Changes to the current programme

As part of its plans to increase economic integration, in 2017 the Commission proposed to increase the budget for the Structural Reform Support Programme by **€80 million** for the period until 2020 and set up a work stream providing targeted support to countries seeking to join the euro area.

This is in response to high demand from EU governments (requests for support significantly exceed the funding available) and to help countries achieve the high degree of economic convergence they need to adopt the euro.

The proposal was approved by the European Parliament and the Council and brings the total budget of the Programme to €222.8 million until 2020.

# A new programme after 2020

The Commission has proposed to expand the work of the SRSS after 2020 under a new Reform Support Programme, with a much bigger overall budget of €25 billion.

The proposed programme would have three strands.

• Reform delivery tool — €22 billion

Financial incentives for governments to implement structural reforms addressing key challenges identified every year as part of the 'European Semester'.

• Technical support instrument — just under €1 billion

Continued help for governments to design and implement reforms and optimise their administrative capacity.

• Convergence facility — just over €2 billion Financial and technical support to those countries that have taken demonstrable steps towards joining the euro.

# **CONVERGENCE FACILITY**

TECHNICAL SUPPORT **INSTRUMENT** 

REFORM DELIVERY TOOL BUDGET

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# **SRSS CONTACT DETAILS**

## Main contact point for national governments:

- · Maarten Verwey, Director-General of the SRSS
- · Mary McCarthy, Director of the SRSS

### SRSS@ec.europa.eu

### Further details on our work:

- Governance & public administration:
  - SRSS-02-GOVERNANCE-PUBLIC-ADMINISTRATION@ec.europa.eu
- Growth & business environment:
  - SRSS-GROWTH-BUSINESS-ENVIRONMENT@ec.europa.eu
- · Labour market, education, health & social services:
- SRSS-04-LABOUR-MARKET-HEALTH-AND-SOCIAL-SERVICES@ec.europa.eu
- Revenue administration, tax policy & public financial management:
  - SRSS-TAX-PFM@ec.europa.eu
- · Financial sector & access to finance:
  - SRSS-FINANCIAL@ec.europa.eu
- · Adviser on Anti-Money-Laundering and Anti-Corruption strategies:
  - SRSS-AML-AC@ec.europa.eu
- · SRSS office in Greece:
- SRSS-Athens@ec.europa.eu
- Cyprus Settlement Support:
  - SRSS-CYPRUS-SETTLEMENT-SUPPORT@ec.europa.eu

### Other areas:

Structural Reform Support Programme: SRSS-SRSP@ec.europa.eu

### Find out more:

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