European Committee of the Regions

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OPINION

The Reform Support Programme and European Investment Stabilisation Function

THE EUROPEAN COMMITTEE OF THE REGIONS

On the Reform Support Programme

- calls for a better definition of the scope of reforms to be supported, which, to respect subsidiarity, should be relevant for the implementation of EU Treaty objectives, relate directly to EU competences and bring EU value added;
- welcomes the idea of supporting Member States willing to engage in far-reaching reform commitments through financial contributions and technical assistance, as well as of a convergence facility for Member States having made demonstrable steps towards joining the euro;
- calls for financial support to be allocated between Member States on the basis of cohesion policy indicators instead of population;
- strongly supports the idea that country-specific recommendations should promote investments no less than regulatory reforms, investment-related CSRs should be aligned with the ESIF long-term objectives and the Programme should coordinate all relevant EU spending programmes;
- notes the increased importance of the European Semester and stresses that, to ensure ownership and effective implementation of reforms, local and regional authorities should be involved in the Semester from its initial phases as design and implementation partners, and that this should become a criterion to assess the credibility of reform implementation arrangements;
- stresses that access of local and regional authorities to the technical support instrument under the programme should be pro-actively encouraged at all levels of government;

On the European Investment Stabilisation Function

- stresses that protection from the impact of asymmetric shocks should be ensured for investments by all levels of government;
- welcomes the EISF and reiterates its call to the European Commission to develop over time a fully-fledged insurance mechanism to cater for stabilisation, with a borrowing capacity based on contributions by Member States.

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EN

Rapporteur

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Reference documents

Proposal for a Regulation of the European Parliament and of the Council on the establishment of the Reform Support Programme
COM(2018) 391 final

Proposal for a Regulation of the European Parliament and of the Council on the establishment of a European Investment Stabilisation Function
COM(2018) 387 final

Opinion of the European Committee of the Regions - The Reform Support Programme and European Investment Stabilisation Function

I. RECOMMENDATIONS FOR AMENDMENTS TO THE REFORM SUPPORT PROGRAMME

Amendment 1
Recital 5

Text proposed by the European Commission	***CoR amendment***
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.	Structural reforms ***of EU relevance identified in the European Semester*** can contribute to ***increasing economic, social and territorial cohesion and*** 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.

Amendment 2
Recital 6

Text proposed by the European Commission	***CoR amendment***
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.	The degree of implementation of structural reforms ***of EU relevance*** 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, ***notably by increasing the involvement of local and regional authorities which are responsible for the implementation of most of the identified reform needs***.

Amendment 3

Recital 15

Text proposed by the European Commission	*CoR amendment*
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.	In order to ensure that the reforms supported by the Programme address the ***relevant policy*** 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 domains ***related to EU policy objectives***, 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.

Amendment 4

Recital 17

Text proposed by the European Commission	*CoR amendment*
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.	***A*** Member ***State or the Commission*** should have the possibility ***in case that means allocated according*** to ***Article 26 of*** the ***present proposal would not be committed to request a transfer*** of the ***latter to*** the ***ESI*** funds for the benefit of the Member State concerned.

Reason
The amendment ensures consistency with the proposal for amending Article 21 of the Common Provisions Regulation (CPR) contained in the relevant draft opinion (COTER-VI-038). The transfer would also be coherent given that both the Reform Support Programme and the CPR are based on Article 175 TFEU.

Amendment 5

Recital 19

Text proposed by the European Commission	*CoR amendment*
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	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.	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 ***and after having taken into account the respective regional perspectives***.

Reason
The EC is creating a clear link between the spending programmes and the European Semester, which can only serve its purpose if the regional perspectives are enhanced and incorporated into it.

Amendment 6

Recital 20

Text proposed by the European Commission	***CoR amendment***
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.	In order to ensure a meaningful incentive for Member States to complete structural reforms ***of EU relevance***, 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 indicators to be adopted for cohesion policy in 2021-2027 (GDP per capita, youth unemployment, low education level, climate change, and the reception and integration of migrants).***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.

Amendment 7

Recital 23

Text proposed by the European Commission	***CoR amendment***
In order to ensure the ownership of and a focus on	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.	relevant reforms, the Member States***, involving all levels of government***, 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 after having taken into account the respective regional perspectives***) 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. ***Member States should also indicate how relevant existing EU policy actions have been coordinated to support the proposed reforms.*** Close cooperation between the Commission and the Member States should be sought and achieved throughout the process.

Amendment 8

New recital after recital 23

Text proposed by the European Commission	***CoR amendment***
	The Member States should state how they involved their local and regional authorities in assessing reform needs and in designing, implementing, monitoring and evaluating reform commitments. This involvement will take place in a structured and permanent manner in the context of the European Semester, so that local and regional authorities can take part, as full partners and from the beginning, in the dialogue with the European Commission leading to the publication of the Country Reports and the Country-specific Recommendations. Member States will decide how to organise such involvement according to their constitutional setting and current division of powers across levels of government.

Amendment 9

Recital 31

Text proposed by the European Commission	***CoR amendment***
For the purpose of sound financial management, specific rules should be laid down for budget	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.	commitments, payments, suspension, cancellation and recovery of funds. Payments should ***take place through annual instalments,*** based on a positive assessment by the Commission of the implementation of ***progress in*** 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.

Amendment 10

Recital 32

Text proposed by the European Commission	***CoR amendment***
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 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.	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 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. ***The European Commission and the national governments should encourage the use of the technical support instruments by local and regional authorities by fully opening such instruments to all levels of government and actively promoting their use.***

Amendment 11

Article 4

Text proposed by the European Commission	*CoR amendment*
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.	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 ***identified for their EU relevance in the European Semester and aimed*** at promoting resilient economic and social structures in the Member States, thereby contributing to cohesion, competitiveness, productivity, growth and employment ***at a European level***; and (b) to contribute to strengthening the administrative capacity of the Member States ***and their respective local and regional authorities*** in relation to challenges faced by institutions, governance, public administration, and economic and social sectors.

Amendment 12

Article 6

Text proposed by the European Commission	*CoR amendment*
Scope The general and the specific objectives set out in Articles 4 and 5 shall refer to policy areas relate**d** 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:	*Scope* The general and the specific objectives set out in Articles 4 and 5 shall refer to policy areas ***that are relevant for the implementation of the EU Treaty objectives, are linked to EU competences and*** relate 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:

Amendment 13

Article 7

Text proposed by the European Commission	*CoR amendment*
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.	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: up to EUR 22 000 000 000 for the reform delivery tool; up to EUR 840 000 000 for the technical support instrument; 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	2. The indicative distribution of the amount referred to in paragraph 1 shall be: up to EUR 22 000 000 000 for the reform delivery tool; up to EUR 840 000 000 for the technical support instrument; 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. ***In case that means allocated according to article 26 of the present proposal would not be committed, the resources allocated to a Member State may, at its request or on a proposal by the Commission, be transferred to the ESI Funds for the benefit of the Member State concerned.*** ***4.*** 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

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.	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. ***5***. 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.

Reason
The amendment ensures consistency with the proposal for amending Article 21 of the Common Provisions Regulation (CPR) contained in the relevant draft opinion (COTER-VI-038). The transfer would also be coherent given that both the Reform Support Programme and the CPR are based on Article 175 TFEU.

Amendment 14
Article 9

Text proposed by the European Commission	***CoR amendment***
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.	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 indicators to be adopted for cohesion policy in 2021-2027 (GDP per capita, youth unemployment, low education level, climate change, and the reception and integration of migrants)***. 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.

Amendment 15

Article 11(3), point (e)

Text proposed by the European Commission	***CoR amendment***
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	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; ***the way in which the local and regional authorities have been involved in the identification of the reform commitments in the context of the European Semester, as well as in their implementation, monitoring and evaluation;*** and

Amendment 16

Article 11(3), new point after point (e)

Text proposed by the European Commission	***CoR amendment***
	as part of the internal arrangements for the implementation of the reform commitments, specific measures ensuring coherence and coordination between the programme, the ESI Funds and other EU funded programmes as relevant; these should include a specific capacity-building roadmap for local and regional authorities;

Amendment 17

Article 11(9)

Text proposed by the European Commission	***CoR amendment***
The Economic Policy Committee, set up by Council decision 2000/604/EC on the Composition and Statutes of the Economic Policy Committee[1], ***may*** provide its opinion on the proposals for reform commitments submitted by Member States.	The Economic Policy Committee, set up by Council decision 2000/604/EC on the Composition and Statutes of the Economic Policy Committee[1], ***shall*** provide its opinion on the proposals for reform commitments submitted by Member States.

1 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).

Amendment 18

Article 12(3)

Text proposed by the European Commission	***CoR amendment***
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.	The decision referred to in paragraph 1 shall lay down the financial contribution to be paid in ***annual*** instalment***s*** once the Member State has satisfactorily implemented all the milestones and targets identified ***for every year*** 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.

Amendment 19

Article 14

Text proposed by the European Commission	***CoR amendment***
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).	*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***, including on the measures taken to ensure coordination between the Programme, the ESI Funds and other EU-funded programmes as relevant.*** 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). ***The Commission shall revise its guidelines on the content of the national reform programmes accordingly.***

Amendment 20

Article 19(2), new point after point (e)

Text proposed by the European Commission	***CoR amendment***
	capacity-building activities undertaken by local and regional authorities in the context of the national reform programmes. Local and regional authorities shall be able to submit their requests under a specific window of the Programme and be direct beneficiaries of the technical support provided.

Amendment 21

Article 26

Text proposed by the European Commission	***CoR amendment***
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.	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 ***the indicators to be adopted for cohesion policy in 2021-2027 (GDP per capita, youth unemployment, low education level, climate change, and the reception and integration of migrants)***, 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.

II. RECOMMENDATIONS FOR AMENDMENTS TO THE EUROPEAN INVESTMENT STABILISATION FUNCTION

Amendment 22
Recital (8)

Text proposed by the European Commission	*CoR amendment*
In particular, in order to support Member States whose currency is the euro to respond better to rapidly changing economic circumstances and stabilise their economy by preserving public investment in the event of large asymmetric shocks, a European Investment Stabilisation Function (EISF) should be established.	In particular, in order to support Member States whose currency is the euro to respond better to rapidly changing economic circumstances and stabilise their economy by preserving public investment in the event of large asymmetric shocks, a European Investment Stabilisation Function (EISF) should be established. ***The EISF should contribute stabilising public investment undertaken by all levels of government, since local and regional authorities are responsible for 66% of the investments and their investments have not yet reached the pre-crisis level. Enabling local and regional bodies to maintain their level of investments would prevent further worsening of asymmetric shocks.***

Reason
The importance of the local and regional level for investments should be highlighted.

Amendment 23
Recital 15

Text proposed by the European Commission	*CoR amendment*
Strict eligibility criteria based on compliance with decisions and recommendations under the Union's fiscal and economic surveillance framework over a period of two years before the request for EISF support should be fulfilled by the Member State requesting EISF support in order not to diminish the incentive for that Member State to pursue prudent budgetary policies.	Strict eligibility criteria based on compliance with decisions and recommendations under the Union's fiscal and economic surveillance framework***, including the Communication by the Commission on "Making the best use of the flexibility within the existing rule of the Stability and Growth Pact"1a,*** over a period of two years before the request for EISF support ***and compliance with a convergence code comprising criteria allowing for better ownership,*** should be fulfilled by the Member State requesting EISF support in order not to diminish the incentive for that Member State to pursue prudent ***and sustainable*** budgetary policies.

	***1a COM(2015) 12 final, 13.1.2015*.**

Reason
Self-evident.

Amendment 24

Recital (21)

Text proposed by the European Commission	***CoR amendment***
Member States should invest the support received under EISF in eligible public investment and also maintain the level of public investment in general compared to the average level of public investment over the five last years in order to ensure that the objective pursued by this Regulation is achieved. In that respect, there is the expectation that Member States should give priority to maintaining eligible investment in 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.	Member States should invest the support received under EISF in eligible public investment and also maintain the level of public investment in general compared to the average level of public investment over the five last years in order to ensure that the objective pursued by this Regulation is achieved. In that respect, there is the expectation that Member States should give priority to maintaining eligible investment in 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. ***However, if, due to the severity of the crisis, it proves impossible for the Member State to maintain the level of public investment they committed to when receiving support, the European Commission should determine a lower level of public investments the Member States should ensure.***

Reason
It could happen that the crisis is so severe that the Member States cannot maintain the level of public investments they committed to when receiving support. In this case, the European Commission should be able to determine a lower level of public investments the Member States should undertake.

Amendment 25

Recital 33

Text proposed by the European Commission	***CoR amendment***
EISF should be considered as a first step in the development over time of a fully-fledged insurance mechanism to cater for macro-	EISF should be considered as a first step in the development over time of a fully-fledged insurance mechanism to cater for macro-

economic stabilisation. ***Currently***, EISF would be based on loans and granting of interest rate subsidies. In parallel, ***it is not excluded that*** the ESM or its legal successor ***would*** be involved ***in the future*** by providing financial assistance to Member States whose currency is the euro facing adverse economic conditions in support of public investment. Moreover, ***a voluntary*** insurance mechanism with a borrowing capacity based on voluntary contributions by Member States ***could*** be set up ***in the future*** to provide for a powerful instrument for the purpose of macro-economic stabilisation against asymmetric shocks.	economic stabilisation. ***Initially***, EISF would be based on loans and granting of interest rate subsidies. In parallel, the ESM or its legal successor ***could*** be involved by providing financial assistance to Member States whose currency is the euro facing adverse economic conditions in support of public investment. Moreover, ***an*** insurance mechanism with a borrowing capacity based on contributions by Member States ***must*** be set up to provide for a powerful instrument for the purpose of macro-economic stabilisation against asymmetric shocks.

Reason
To clarify the wording of Recital 33, building on comparable proposals for amendments in the draft report by Reimer Böge (EPP/DE) and Pervenche Berès (S&D/FR) presented to the European Parliament's ECON committee.

Amendment 26

Article 3.1

Text proposed by the European Commission	***CoR amendment***
a decision of the Council establishing that no effective action has been taken to correct its excessive deficit under Article 126(8) or Article 126(11) of the Treaty on the Functioning of the European Union in the two years prior to requesting support from the EISF;	a decision of the Council establishing that no effective action has been taken to correct its excessive deficit under Article 126(8) or Article 126(11) of the Treaty on the Functioning of the European Union in the two years prior to requesting support from the EISF***, taking into account the Communication by the Commission on "Making the best use of the flexibility within the existing rule of the Stability and Growth Pact"[1]***; ***[1] COM(2015) 12 final, 13.1.2015.***

Reason
Self-explanatory.

Amendment 27

Article 5(2)

Text proposed by the European Commission	***CoR amendment***
The year following the disbursement of the EISF loan, the Commission shall examine whether the Member State concerned has respected the	The year following the disbursement of the EISF loan, the Commission shall examine whether the Member State concerned has respected the

criteria referred to in paragraph 1. In particular, the Commission shall also verify the extent to which the Member State concerned has maintained eligible public investment in 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. If the Commission, after having heard the Member State concerned, concludes that the conditions referred to in paragraph 1 have not been complied with, it shall adopt a decision: (i) requesting the early repayment of whole or part of the EISF loan, as appropriate; and (ii)deciding that upon repayment of EISF loan the Member State concerned shall not be entitled to receive the interest rate subsidy. The Commission shall adopt its decision without undue delay and shall make it public.	criteria referred to in paragraph 1. In particular, the Commission shall also verify the extent to which the Member State concerned has maintained eligible public investment in 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. If the Commission, after having heard the Member State concerned, concludes that the conditions referred to in paragraph 1 have not been complied with, it shall adopt a decision: (i) requesting the early repayment of whole or part of the EISF loan, as appropriate; and (ii) deciding that upon repayment of EISF loan the Member State concerned shall not be entitled to receive the interest rate subsidy. ***However, the Commission could also conclude that, due to the impact of the crisis, it was impossible for the Member State concerned to maintain the level of investment set in paragraph 1.*** The Commission shall adopt its decision without undue delay and shall make it public.

Reason
It could happen that the crisis is so severe that the Member State cannot maintain the level of public investments it committed to when receiving support. In this case, the European Commission should be able to determine a lower level of public investments the Member State should undertake.

Amendment 28

Article 22.5

Text proposed by the European Commission	***CoR amendment***
the appropriateness of developing a ***voluntary*** insurance mechanism ***serving the purpose of macroeconomic*** stabilisation.	***options for*** developing a ***fully-fledged*** insurance mechanism ***to cater for macro-economic*** stabilisation.

Reason
Self-explanatory.

III. POLICY RECOMMENDATIONS

THE EUROPEAN COMMITTEE OF THE REGIONS

On the Reform Support Programme

1. stresses that structural reforms of EU-relevance and EU-added value are crucial to ensure economic, social and territorial and cohesion, resilience and convergence within the Union and the EMU; notes that the implementation of the Country-Specific Recommendations on EU-relevant structural reforms is overall unsatisfactory, which results from a lack of ownership and insufficient administrative capacity at all levels of government;

2. regrets that the European Commission still has not provided a definition of "structural reforms" within the context of EU economic governance and possible support through EU programmes such as the Reform Support Programme. Reiterates against this background that according to the subsidiarity principle, the scope of structural reforms eligible for EU support should be limited to policy areas that are relevant for the implementation of the EU Treaty objectives and relate directly to EU competences. The CoR rejects any proposal for EU funding to support unspecified structural reforms in the Member States which have not undergone a prior transparent European added value assessment and which do not relate directly to Treaty-based EU competences. In this context, the CoR recalls its resolution of 1 February 2018 rejecting the Commission proposal for a regulation amending the Common Provisions Regulation (EU) No 1303/2013 of 6 December 2017[2];

3. welcomes the idea of supporting Member States willing to engage in far-reaching reform commitments, identified in the context of the European Semester, by means of financial contributions and technical assistance; stresses that the European Semester should integrate as soon as possible the Sustainable Development Goals and be consistent with the long-term investment goals of the EU cohesion policy for 2021-2027;

4. welcomes the idea of a convergence facility for Member States having made demonstrable steps towards joining the euro, also providing financial contributions and technical assistance;

5. believes that allocating the overall envelope of the Programme based on population would conflict with the Treaty objective of cohesion, which provides the legal basis of the programme (Article 175 TFEU); stresses that the appropriate allocation key should be the indicators adopted for cohesion policy in 2021-2027 (GDP per capita, youth unemployment, low education level, climate change, and the reception and integration of migrants); stresses that this approach would deal consistently with the fact that some Member States having made demonstrable steps towards joining the euro may need reforms less than some current members of the euro area;

6. is concerned that a lump sum paid to a Member State upon implementation of a substantial reform package may fail to trigger the decision of undertaking such reform; is concerned that

2 COM(2017) 826 final.

payment in a single instalment, only once the reforms are implemented, would further weaken the incentive;

7. strongly supports the idea that country-specific recommendations should promote investments no less than regulatory reforms; stresses that investment-related recommendations should be aligned with the long-term investment perspective taken by the ESIF; notes that a recent study by DG EMPL shows that, between 2012 and 2015, 62% of all reform needs identified in the context of the European Semester were within the intervention range of the Structural Funds, and that the Operational Programmes actually addressed 42% of such needs; stresses that the Programme should coordinate all relevant EU spending programmes; recommends that it be also possible to move funds from the programme to the ESI funds;

8. notes that the Programme would make the European Semester even more important, because it would support only structural reforms identified in the context of the Semester; stresses that it is therefore crucial to improve the European Semester in terms of effectiveness and ownership of reform commitments, based on the principles of partnership and increased transparency for the local and regional authorities; stresses that independent bodies such as the National Fiscal Boards and the National Productivity Boards should help all levels of government and relevant stakeholders to assess the needs for reform and monitor the implementation of the Programme;

9. notes that 36% of all country-specific recommendations issued in 2018 address directly the role of cities and regions, which reflects the current division of powers across levels of government, and that, considering also the recommendations addressing only indirectly the role of the local and regional authorities and those the impact of which varies across territories, then 83% of all recommendations are territory-related;

10. therefore, stresses that, to ensure ownership, and effective implementation of structural reforms; local and regional authorities should be involved in the European Semester from its initial phases, as design and implementation partners, and that this should become a criterion to assess the credibility of the implementation arrangements of a reform package; insists on its proposal of a Code of Conduct for the involvement of the local and regional authorities in the Semester; welcomes the adoption by the European Parliament, in July 2018, of an amendment to the SRSP regulation stressing the need to involve the local and regional authorities in the preparation and implementation of structural reforms;

11. notes that preliminary results of an ongoing study commissioned by the CoR show that capacity-building for cities and regions has not been addressed in a satisfactory manner under the current MFF; notes the challenge of administrative capacity of the local and regional authorities, which is addressed, directly or indirectly, by 68% of the country-specific recommendations for 2018; points out, in this respect, that an Erasmus programme for local representatives could facilitate transfer of expertise and best practice;

12. regrets the absence of adequate evidence showing to what extent local and regional authorities have used the SRSP; stresses that access of local and regional authorities to the technical support instrument under the programme should be pro-actively encouraged at all levels of government; reiterates its request for a single and transparent set of guidelines coordinating all

EU-funded measures providing technical assistance and supporting capacity building under the new MFF;

13. encourages integrated territorial approaches, designed in a bottom-up process, to promote favourable ecosystems for the implementation of EU-relevant structural reforms;

14. regrets that the European Commission has decided to allocate funds for the centrally-managed Reform Support Programme while cutting programmes with shared-management and European added value such as those under the EU's Cohesion Policy;

On the European Investment Stabilisation Function

15. notes that structural factors expose Member States to large asymmetric shocks, which provoke sharp reductions of public investment, first of all at local and regional level, and generate negative spill-overs to other countries;

16. agrees with the Commission that public investment needs to be protected from asymmetric shocks; recalls that local and regional authorities are responsible for more than 66% of public investment in the EU; recalls that investment at regional level has not yet attained pre-crisis levels; stresses that protection from the impact of asymmetric shocks should be ensured for investments by all levels of government;

17. welcomes the proposal for a European Investment Stabilisation Function (EISF) which aims to make national fiscal policies more resilient to asymmetric shocks while achieving long-term sustainability; believes that it could be a first step to equipping the EMU with a temporary shock absorption mechanism;

18. notes that the proposal allows for a future upgrade to the scheme and reiterates its call on the European Commission to develop over time a fully-fledged insurance mechanism to cater for economic stabilisation, like a rainy day fund;

19. shares the Commission's view that, in order to avoid permanent transfers and moral hazard, only Member States complying with the broad EU governance framework and progressing in convergence should be able to refer to EISF;

20. notes that the EISF would start with loans and a relatively small grant component; believes that a fiscal capacity should be large enough to be effective; is concerned whether the maximal amount of loans of EUR 30 billion would be sufficient in the event of a severe crisis affecting several Member States;

21. welcomes the Commission proposal that the EISF complement existing instruments such as the European Structural and Investment Funds (ESIF) and that it does not overlap with the European Stability Mechanism (ESM), despite being somewhat similar in scope; notes, however, that macro-economic stabilisation is currently not recognised as an explicit objective of the EU budget and hence poses limitations on how much the EISF can achieve;

22. notes that the term "asymmetric shocks" could also include a liquidity crisis; believes that the appropriate response to a liquidity crisis is the Outright Monetary Transactions (OMT) programme of the European Central Bank, conditional on the participation of the Member State in the ESM programme, and not the EISF.

Brussels, 5 December 2018

The President
of the European Committee of the Regions

Karl-Heinz Lambertz

The Secretary-General
of the European Committee of the Regions

Jiří Buriánek

IV. PROCEDURE

Title	The Reform Support Programme and European Investment Stabilisation Function
Reference(s)	Proposal for a Regulation of the European Parliament and of the Council on the establishment of the Reform Support Programme COM(2018) 391 final Proposal for a Regulation of the European Parliament and of the Council on the establishment of a European Investment Stabilisation Function COM(2018) 387 final
Legal basis	Reform Support Programme: Article 175 (3) TFEU, Article 197(2) TFEU European Investment Stabilization Function: Article 175(3) TFEU
Procedural basis	Rule 41 a)
Date of Council/EP referral/Date of Commission letter	Reform Support Programme: – Council: 27 June 2018 – Parliament: 26 June 2018 European Investment Stabilization Function: – Council: 25 June 2018 – Parliament: 22 June 2018
Date of Bureau/President's decision	Reform Support Programme: 28 June 2018 European Investment Stabilization Function: NA
Commission responsible	Commission for Economic Policy
Rapporteur	Olga Zrihen (BE/PES), Member of the Walloon Parliament
Analysis	20 September 2018
Discussed in commission	23 October 2018
Date adopted by commission	23 October 2018
Result of the vote in commission (majority, unanimity)	Majority
Date adopted in plenary	5 December 2018
Previous Committee opinions	22 March 2018
Date of subsidiarity monitoring consultation	None

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