



EUROPEAN COMMISSION

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C(2018) 5582 final*

Dear President,

The Commission would like to thank the Bundesrat for its Opinion on the Commission's proposal amending the Common Provisions Regulation (Regulation of the European Parliament and of the Council (EU) No 1303/2013) as regards support for structural reforms in Member States {COM(2017) 826 final}.

This proposal forms part of a comprehensive package of measures tabled by the Commission that set out further steps towards completing the Economic and Monetary Union. These are embedded in a roadmap to deepen Economic and Monetary Union by 2025.

More concretely, the Commission's proposal aims to establish an option for Member States to allocate all or part of their performance reserve for the purposes of financing structural reforms.

The Commission welcomes the Bundesrat's broad support for structural reforms and the emphasis on their importance for the functioning of Economic and Monetary Union. At the same time, the Commission notes its doubts related to the planned management mode of the suggested mechanism. The Commission would like to provide a number of clarifications regarding its proposal and trusts that these will allay the Bundesrat's concerns.

First and foremost, it must be emphasised that it would be a voluntary mechanism: Member States would be given an option to 1) make use of the amounts in the performance reserve as initially envisaged, or 2) engage in 'structural reform commitments' with the Commission and, once the contained reforms would be fulfilled, to receive the relevant amounts in the form of a budgetary transfer. It is a choice for Member States and their allocations would not be 'taken away' but used in a different way for their own benefit, in accordance with commitments made at their own initiative.

*Mr Michael MÜLLER
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The Commission fully agrees with the Bundesrat that financing certain aspects of structural reforms is already possible from the structural funds. Indeed, the very aim of the structural funds has always been to finance investments in regions that induce sustainable structural changes in their economies to underpin and enable their convergence process. Member States' and regions' programmes are already closely aligned with country-specific recommendations. This proposal aims to widen and simplify the possibility of supporting growth-enhancing structural reforms. It does therefore further promote the Treaty objective for cohesion to 'reduce disparities between the levels of development of the various regions and the backwardness of the least favoured regions. It provides for an alternative method of doing so. Moreover, it serves as a strong positive incentive.

It is in the prerogative of the Member States to decide which reforms they propose to undertake as well as the exact measures they plan to implement – in accordance with their institutional and governance setup. The proposal refers to Member States as they are responsible for partnership agreements and programmes but this does not mean that central governments can make this choice on their own. As in the case of any programme and partnership agreement, the relevant stakeholders would have to be involved and the programme amendment would have to be approved by the relevant monitoring committee.

The Commission would like to add that the choice of direct management was deliberately made to ensure a direct, flexible and simple process of implementation for this testing phase.

The points made above are based on the initial proposal presented by the Commission which is currently in the legislative process involving the European Parliament and the Council.

The Commission hopes that these clarifications address the issues raised by the Bundesrat and looks forward to continuing the political dialogue in the future.

Yours faithfully,

*Tibor NAVRACSICS
Member of the Commission*