



EUROPEAN
COMMISSION

Brussels, 28.5.2020
COM(2020) 409 final

2020/0103 (COD)

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

establishing a Technical Support Instrument

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

• **Reasons for and objectives of the proposal**

The outbreak of the COVID-19 pandemic has changed the economic outlook for the years to come in the Union and in the world. The short-term impact of the COVID-19 crisis in individual Member States will depend on the duration and severity of the lockdown measures, the composition of output and the economic policy measures taken to cushion the immediate impact of the crisis. The medium and long-term effects of the crisis will depend on the resilience of their economies. Given the differences in short-term economic impact and in available policy space, there is a real risk that the COVID-19 crisis will cause further widening of the divergences in the Union in the absence of decisive policy action.

As confinement measures are gradually lifted, there is a need to strategically plan the recovery, revitalising the economy and getting back on a path of sustainable growth. This requires supporting public and private investments but also enhancing Member States' reform efforts to address the underlying social and economic weaknesses of their economies, improve their resilience and facilitate the return to sustainable growth. In that regard, it is crucial to continue accompany Member States' reform efforts by providing them with substantial technical support to strengthen their administrative capacity to prepare and implement the reforms that will foster resilience and underpin the recovery.

This Regulation proposes to establish a standalone Technical Support Instrument available to all Member States, as a successor to the Structural Reform Support Programme (SRSP)¹. The Technical Support Instrument will ensure that the Commission can continue to provide tailor-made expertise on the ground to ensure that the Member States have the necessary institutional and administrative capacity to develop and implement growth enhancing reforms and are able to strengthen the resilience of European economies through efficient and well-functioning administrative structures. To that end, as under the Structural Reform Support Programme, it will aim to accompany the national authorities of the requesting Member States throughout the stages or in specific phases of the reform process.

For reasons of expediency, and with a view to reaching an agreement as soon as possible by the co-legislators, this proposal for a regulation takes as a basis the latest text of the technical support instrument contained in the Commission proposal establishing a Reform Support Programme (RSP)² as discussed by the co-legislators in the past months. The proposal for the Reform Support Programme is withdrawn.

On 31 May 2018, the Commission proposed the Reform Support Programme in the context of the proposals for sectoral programmes of the Multiannual Financial Framework (MFF) for 2021-2027. That proposal included a technical support instrument, aimed to support the endeavours of Member States to enhance the implementation of structural reforms in the context of the European Semester. The text of that proposal was discussed in the Council under the Finnish and Croatian presidencies and an agreement in principle was reached in the Council on that instrument. In parallel, the European Parliament had been working on the

¹ Regulation (EU) 2017/825 of the European Parliament and of the Council of 17 May 2017 on the establishment of the Structural Reform Support Programme for the period 2017 to 2020 and amending Regulations (EU) No 1303/2013 and (EU) No 1305/2013, OJ L 129, 19.5.2017, p. 1–16.

² 2018/0213 (COD), Brussels 31.5.2018 COM(2018) 391 final.

Commission's proposal for the Reform Support Programme and tabled its draft report on 20 April 2020.

In parallel to the present proposal, in order to respond to the new challenges posed by the COVID-19 crisis, the Commission has also proposed a regulation for a Recovery and Resilience Facility³ that will provide large scale financial support for public investments and reforms that make Member States economies more resilient, and better prepared for the future. The Technical Support Instrument can support Member States in the preparation and implementation of recovery and resilience plans under the Recovery and Resilience Facility.

- **Consistency with existing policy provisions in the policy area**

The Technical Support Instrument allows the Commission to support Member State authorities in their efforts to design reforms according to their own priorities and enhance their capacity to develop and implement reform policies and strategies, as well as benefitting from good practices and examples of peers. Technical support will be particularly needed in the aftermath of the crisis. This proposal therefore adequately complements the packages of measures that are proposed by the Commission to address the economic fallout of the COVID-19 pandemic, namely the Recovery and Resilience Facility, the REACT EU⁴ under the structural and cohesion funds, the amended proposals for the European Fund for Strategic Investments (EFSI) and InvestEU, and the range of measures developed in response to the current COVID-19 pandemic such as the "Coronavirus Response Investment Initiative"⁵.

The Technical Support Instrument builds on the success of the SRSP, which has constantly experienced positive feedback from beneficiary Member States and excess demand in respect of the budgets available in the past selection rounds (e.g. for the 2019 round, of the 508 requests submitted, equating to a total value of EUR 194 million, 263 amounting to EUR 79.3 million could be selected; for the 2020 round, of the 609 requests submitted, equating to a value of EUR 250 million, 228 amounting to EUR 84.7 million could be selected). The Technical Support Instrument is designed as a continuation of the existing SRSP, and is consistent, coherent and complementary to the existing resources for capacity building and technical assistance, which are available within other Union financing programmes. Technical assistance available under cohesion policy aims to help stakeholders implement Union-funded programmes and projects, in the form of financial support for preparation, management, evaluation, monitoring, audit and control made available through the European Regional Development Fund (ERDF), European Social Fund (ESF) and Cohesion Fund. Technical assistance available in that context therefore aims at building capacity to administer Union funds and at fostering the implementation of projects co-financed under Union funds, thereby facilitating the absorption of these funds. The technical assistance hub available under the InvestEU is mainly targeted at the preparation of large (private) investment projects and does not target structural reforms. By contrast, the Technical Support Instrument aims at providing support for administrative capacity and long-term structural reforms, thereby adequately complementing and adding value to the existing assistance provided by the various sectoral Union programmes and the actions carried out under the Union funds.

Furthermore, this instrument is consistent with the policy guidance provided under the European Semester, by providing technical support to foster the implementation of the country specific recommendations addressed to Member States in that context.

³ [COD...]

⁴ OJ...

⁵ OJ...

- **Consistency with other Union policies**

The proposal is consistent with and provides for complementarity and synergies with the other Union policies.

The aim of the proposal establishing a Recovery and Resilience Facility is to offer financial support for public investments and reforms, in particular in the field of the green and digital transitions, that make economies more resilient and better prepared for the future.

The technical support instrument will be complementary to the proposal establishing a Recovery and Resilience Facility, as it will provide support for strengthening the administrative capacity of the Member States and, in this context, support for the preparation and implementation of the recovery and resilience plans that set out reforms and investments to be financed under the Recovery and Resilience Facility and, more in general, also for providing support for national reform actions related to the green and digital transitions.

2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY

- **Legal basis**

The proposal is based on Articles 175 (third paragraph) and 197(2) of the Treaty on the Functioning of the European Union.

Article 175 (third paragraph) TFEU provides that, if specific actions prove necessary outside the Funds and without prejudice to the measures decided upon within the framework of the other Union policies, such actions may be adopted by the European Parliament and the Council acting in accordance with the ordinary legislative procedure and after consulting the Economic and Social Committee and the Committee of Regions.

Article 197(2) TFEU provides that the Union may support the efforts of Member States to improve their administrative capacity to implement Union law, *inter alia*, through facilitating the exchange of information and supporting training schemes. No Member State shall be obliged to avail itself of such support. The European Parliament and the Council, acting under the ordinary legislative procedure are to establish the necessary measures to this end, excluding any harmonisation of the laws and regulations of the Member States.

In view of Articles 175 and 197 TFEU, the regulation is aimed at enhancing cohesion, through measures that allow recovery, resilience and convergence in/of the Member States concerned.

- **Subsidiarity (for non-exclusive competence)**

The funding of the proposed activities through the envisaged regulation respects the principles of European added-value and subsidiarity. Funding from the Union budget concentrates on activities whose objectives cannot be sufficiently achieved by the Member States alone (“necessity test”), and where the Union intervention can bring additional value compared to action of Member States alone.

The objective of the regulation is to promote cohesion by supporting Member States efforts to implement reforms necessary to achieve economic and social recovery, resilience and convergence, and to support Member States’ efforts to strengthen their administrative capacity to implement Union law in relation to challenges faced by institutions, governance, public administration, and economic and social sectors.

The underlying logic of the regulation is that technical support is provided in response to a request from the Member State concerned made on a voluntary basis. As a result, each Member State decides whether action at Union level is necessary, in light of the possibilities available at national, regional or local level. The implementation of technical support measures linked to the economic and social recovery, resilience and convergence, and to the strengthening of the administrative capacity of Member States to implement Union law is a matter of common interest for the Union.

The Technical Support Instrument replaces current the SRSP and is furthermore part of the initiatives taken by the Commission in response to the outbreak of the COVID-19 pandemic, for helping Member State mitigate the huge economic and social consequences. Action at Union level is thus necessary to achieve a fast and robust economic recovery in the Union. This goal cannot be achieved to a sufficient degree by the Member States acting alone, while the Union's intervention can bring an additional value by establishing a regulation that sets out an instrument offering strengthened technical support as regards the design and implementation of much needed structural reforms. Such support would contribute to also mitigate the societal impact caused by the present COVID-19 crisis.

- **Proportionality**

The proposal complies with the proportionality principle in that it does not go beyond the minimum required in order to achieve the stated objective at European level and which is necessary for that purpose. The voluntary character of technical support instrument and the consensual nature of the cooperation throughout the entire process constitute an additional guarantee for respecting the proportionality principle and for the development of mutual trust and cooperation between the Member States and the Commission.

- **Choice of the instrument**

The goals described in the preceding sections cannot be reached through a harmonisation of legislations, or by voluntary action of the Member States. Only a regulation would allow them to be achieved. A regulation applicable to all Member States is also the most appropriate legal instrument to organise the provision of technical support with a view to ensure equal treatment of Member States.

3. RESULTS OF EX-POST EVALUATIONS, STAKEHOLDER CONSULTATIONS AND IMPACT ASSESSMENTS

- **Ex-post evaluations/fitness checks of existing legislation**

The Technical Support Instrument is a continuation of the existing 2017-2020 SRSP, based on the Regulation (EU) 2017/825, as amended by Regulation (EU) 2018/1671⁶. Implementation of the SRSP began with the adoption of the 2017 Annual Work Programme⁷ in September 2017 and has continued with the adoption of the subsequent work programmes⁸. In accordance with Article 16 of the SRSP Regulation, the Commission provides the European

⁶ Regulation (EU) 2017/825 of the European Parliament and of the Council, OJ L 129, 19.5.2017, p. 1 – 16, as amended by Regulation (EU) 2018/1671, OJ L 284, 12.11.2018, p. 3–5 (the SRSP Regulation).

⁷ Annex to Commission Implementing Decision on the adoption of the work programme for 2017 and on the financing of Structural Reform Support Programme and repealing Decision C(2017)3093, 2017, C(2017)5780 final

⁸ https://ec.europa.eu/info/publications/structural-reform-support-programme-financing-decisions-and-annual-work-programmes_en

Parliament and the Council with annual monitoring reports on the implementation of the Programme⁹ and an independent mid-term and ex-post evaluation report.

A Commission's staff working document accompanying the independent mid-term evaluation report, soon to be adopted by the Commission, examined the performance of the SRSP against the evaluation criteria (relevance, effectiveness, efficiency, coherence and EU added value) and drew a number of lessons. Even though the programme was adopted recently and many technical support projects are still at the initial phases of the implementation, the findings demonstrate that the SRSP is progressing well towards achieving its objectives. The evaluation namely shows that the design of the SRSP is well aligned with the actual needs of Member States and serves as an appropriate instrument for supporting Member States in strengthening their administrative and institutional capacity. The high degree of flexibility and the absence of co-financing requirements make it possible to translate Member States' needs into feasible actions with realistic timelines and to meet the expectations of the Member State. Sharing good practices among Member States was also evaluated as having significant added value. Furthermore, the SRSP is well integrated in the Union economic governance process. The annual cycles of the SRSP and the European Semester are adequately feeding into each other, which enables a comprehensive and coordinated approach towards structural reforms in Member States. A high degree of commitment from all stakeholders, a high level of expertise of the technical support providers and favourable political circumstances are considered factors that have a positive influence on the delivery of the SRSP project outputs. A lack of collaboration among stakeholders and changing or uncertain political circumstances are considered to have a negative influence on the successful implementation of technical support projects.

- **Stakeholder consultations**

Due to the urgency to prepare the proposal so that it can be adopted in a timely manner by the co-legislators, a formal stakeholder consultation could not be carried out. The views of the stakeholders were taken into account also in the course of the legislative process on the proposal for the Reform Support Programme.

- **Impact assessment**

Due to the urgent nature of the proposal, no new impact assessment was carried out. The present proposal for a regulation anyhow builds on the latest available text of the Council working party on the RSP proposal as regards the technical support instrument and is consistent with the joint draft report of the Committee on Budgets and the Committee on Economic and Monetary Affairs of the European Parliament on the technical support instruments contained in the RSP proposal, published on 20 April 2020. This proposal replaces in part the original Commission proposal for the RSP (COD ...), which was based on an impact assessment, whose main findings remain valid *mutatis mutandis*.

- **Fundamental rights**

The proposal has a positive effect on the preservation and development of Union fundamental rights, assuming that the Member States request and receive support in related areas. For example, support in areas such as labour markets and social insurance, healthcare, education, the environment, property, public administration and the judicial system can support Union fundamental rights such as dignity, freedom, equality, solidarity, citizens' rights and justice.

⁹ https://ec.europa.eu/info/publications/annual-monitoring-reports_en

4. BUDGETARY IMPLICATIONS

The financial envelope for the implementation of the Technical Support Instrument for the period 1 January 2021 to 31 December 2027 shall be EUR 864 406 000 (in current prices).

The legislative financial statement provides the appropriate explanations on the financial envelope.

5. OTHER ELEMENTS

- **Implementation plans and monitoring, evaluation and reporting arrangements**

In order to monitor the performance of this regulation in delivering on the objectives of the technical support instrument, some key performance indicators have been identified and will be collected periodically. Specific result and impact indicators will be defined in relation to the concrete projects, with baselines and targets, in order to monitor the progress made towards the final targets and to evaluate the impact of the implemented reforms.

A mid-term evaluation and an ex-post evaluation will be carried out with a view to assessing the effectiveness, efficiency, relevance, coherence of the instrument. Evaluations will be carried out in line the Interinstitutional Agreement of 13 April 2016¹⁰. Evaluations will include lessons learned to identify any deficiencies and/or problems or any potential to further improve the actions or their results and help maximise their exploitation and impact.

The mid-term evaluation of the Regulation will be performed once sufficient information is available about its implementation, but no later than four years after the start of the implementation. No later than three years after the end of the period of application of the Regulation, an ex-post final evaluation will be carried out by the Commission. The Commission will communicate the conclusions of the evaluations accompanied by its observations, to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions.

- **Detailed explanation of the specific provisions of the proposal**

The Regulation establishes the Technical Support Instrument, which will support, with technical measures, Member States to carry out institutional, administrative and growth-sustaining and resilience-enhancing structural reforms (Article 1).

The general objective of the technical support instrument is to promote cohesion by supporting Member States efforts to implement reforms necessary to achieve economic and social recovery, resilience and convergence, and to support Member States' efforts to strengthen their administrative capacity to implement Union law in relation to challenges faced by institutions, governance, public administration, and economic and social sectors. (Article 3)

Specific objectives of the instrument are set out (Article 4) as assisting national authorities in improving their capacity to design, develop and implement reforms, including through exchange of good practices, appropriate processes and methodologies and a more effective

¹⁰ Interinstitutional Agreement between the European Parliament, the Council of the European Union and the European Commission on Better Law-Making of 13 April 2016 (OJ L 123, 12.5.2016, p. 1–14).

and efficient human resources management. They are to be pursued in close cooperation with the Member States concerned.

The scope of the application is a broad range of policy domains that include areas related to public financial and asset management, institutional and administrative reform, business environment, product, service and labour markets, education and training, sustainable development, public health, education and the financial sector (Article 5). Specific emphasis is given to actions that foster the green and digital transitions.

The overall financial envelope for the implementation of the Instrument for the period 2021-2027 will be EUR 864 406 000 in current prices (Article 6). In addition to that financial envelope, Member States may transfer on voluntary basis, in accordance with Article 21 of Regulation [CPR successor]]¹¹, technical assistance resources under shared management programmes to the Technical Support Instrument. Transferred resources shall be implemented in accordance with the rules of this instrument and shall be used exclusively for the benefit of the Member State concerned (Article 6(3) and Article 10).

The Commission proposals for the 2021-2027 Multiannual Financial Framework set a more ambitious goal for climate mainstreaming across all EU programmes, with an overall target of 25% of EU expenditure contributing to climate objectives. The contribution of this instrument to the achievement of this overall target will be tracked through an EU climate marker system at an appropriate level of disaggregation, including the use of more precise methodologies where these are available (Recital 10).

The Technical Support Instrument should support the implementation of growth-sustaining and resilience-enhancing reforms undertaken at the initiative of the Member States, or in the context of economic governance processes, or actions related to the implementation of Union law and Union policy priorities and reforms in relation to the implementation of economic adjustment programmes. The instrument should also provide technical support for the preparation and implementation of reforms to be undertaken under the new Recovery and Resilience Facility (Article 8).

The Commission will analyse the requests for support on the basis of urgency, breadth and depth of the problems identified, support needs in respect of the policy area concerned, analysis of socioeconomic indicators and general administrative capacity of the Member State. Based on that analysis and taking into account the existing measures and actions financed by other Union funds or Union programmes, the Commission will come to an agreement with the Member State on the priority areas for support, the objectives, an indicative timeline, the scope of the support measures to be provided and the estimated global financial contribution, to be set out in a cooperation and support plan (Article 8).

The type of actions eligible for financing under the Technical Support Instrument will include, among others, expertise related to policy advice and/or change, formulation of strategies and reform roadmaps, as well as to legislative, institutional, structural and administrative reforms; the provision of experts, including resident experts; capacity building and related supporting actions at all governance levels, also contributing to the empowerment of civil society (Article 7). The actions financed under the Technical Support Instrument may receive support from other Union programmes, instruments or funds under the Union's budget provided that such support does not cover the same cost (Article 11).

¹¹ OJ C , , p . .

The Commission will adopt work programmes in order to implement the Technical Support Instrument, by way of implementing acts, setting out the measures for the provision of technical support and all the elements required under the Financial Regulation¹² (Article 12).

Provisions are made on communication activities vis-à-vis the European Parliament and the Council and vis-à-vis the general public (Articles 9 and 17), as well as provisions on complementarity (Article 13), monitoring (Article 14), annual reports (Article 15) and evaluation (Article 16).

¹² OJ C , , p . .

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL
establishing a Technical Support Instrument

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular the third paragraph of Article 175 and Article 197(2) thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Having regard to the opinion of the European Economic and Social Committee¹,

Having regard to the opinion of the Committee of the Regions²,

Acting in accordance with the ordinary legislative procedure,

Whereas:

- (1) In accordance with Articles 120 and 121 of the Treaty on the Functioning of the European Union ('the Treaty'), Member States are required to conduct their economic policies with a view to contributing to the achievement of the objectives of the Union and in the context of the broad guidelines that the Council formulates. Under Article 148 of the Treaty Member States shall implement employment policies that take into account the guidelines for employment. The coordination of the economic policies of the Member States is therefore a matter of common concern.
- (2) Article 175 of the Treaty provides, inter alia, that Member States should coordinate their economic policies in such a way as to attain the objectives on economic social and territorial cohesion set out in Article 174.
- (3) The outbreak of the COVID-19 pandemic in early 2020 changed the economic outlook for the years to come in the EU and in the world. In the Union, new priorities have emerged, linked with the crisis, specifically focussing on recovery and resilience. They require an urgent and coordinated response from the Union in order to cope with the economic consequences for Member States as well to mitigate the social and economic fallouts. The current COVID-19 pandemic as well as the previous economic and financial crisis have shown that developing sound and resilient economies and financial systems built on strong economic and social structures helps Member States to respond more efficiently to shocks and recover more swiftly from them. Growth enhancing reforms and investments to address structural weaknesses of the economies and strengthen their resilience will therefore be essential to set the economies and societies back on a sustainable recovery path and overcome the economic, social and territorial divergences in the Union.

¹ OJ C , , p. .

² OJ C , , p. .

- (4) At Union level, the European Semester of economic policy coordination is the framework to identify national reform priorities and monitor their implementation. Member States develop their own national multiannual investment strategies in support of those reform priorities. Those strategies are presented alongside the yearly National Reform Programmes as a way to outline and coordinate priorities to be supported by national and/or Union funding. They should also serve to use Union funding in a coherent manner and to maximise the added value of the financial support to be received notably from the programmes supported by the Union under the structural and cohesion funds, and from other programmes.
- (5) Regulation (EU) 2017/825 of the European Parliament and the Council³ established the Structural Reform Support Programme (SRSP) for the period 2017 to 2020, with a budget of EUR 142 800 000. The SRSP was established to strengthen the capacity of Member States to prepare and implement growth-sustaining administrative and structural reforms, including through assistance for the efficient and effective use of the Union funds. Technical support under that programme is provided by the Commission, upon request from a Member State, and can cover a wide range of policy areas. This Regulation is designed as a continuation of that programme which has been positively received by the Member States.
- (6) Member States have increasingly taken up technical support under the SRSP in the past, therefore, through this Regulation, a technical support instrument should be established with a view to continuing to support Member States in the implementation of reforms.
- (7) Reflecting the European Green Deal as Europe's growth strategy and the translation of the Union's commitments to implement the Paris Agreement and the United Nations' Sustainable Development Goals, the technical support instrument will contribute to mainstreaming climate actions and to the achievement of an overall target of 25% of the EU budget expenditures supporting climate objectives. Relevant actions should be identified during the instrument's preparation and implementation, and reassessed in the context of the relevant evaluations and review processes. This should also tackle broader environmental and social challenges within the Union, including the protection of natural capital and the support to the circular economy and be in line with the 2030 Agenda for Sustainable Development.
- (8) The general objective of the technical support instrument should be to promote the Union's economic, social and territorial cohesion by supporting Member States efforts to implement reforms necessary to achieve economic and social recovery, resilience and convergence. To that effect, it should support the strengthening of the administrative capacity of the Member States to implement Union law, in relation to challenges faced by institutions, governance, public administration, and economic and social sectors.
- (9) The specific objectives of the technical support instrument should be to assist national authorities in their endeavours to design, develop and implement reforms, including through exchange of good practices, appropriate processes and methodologies and a more effective and efficient human resources management.

³ Regulation (EU) 2017/825 of the European Parliament and of the Council of 17 May 2017 on the establishment of the Structural Reform Support Programme for the period 2017 to 2020 and amending Regulations (EU) No 1303/2013 and (EU) No 1305/2013 (OJ L 129, 19.5.2017, p. 1).

- (10) With a view to helping Member States address reform needs in all the key economic and societal areas, technical support should continue to 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. Specific emphasis should be given to the actions that foster the green and digital transitions.
- (11) This Regulation lays down a financial envelope for the Technical Support Instrument, which is to constitute the prime reference amount, within the meaning of the Interinstitutional Agreement on budgetary discipline, on cooperation in budgetary matters and on sound financial management⁴, for the European Parliament and the Council during the annual budgetary procedure.
- (12) In order to cater for additional needs under the Technical Support Instrument, Member States should have the possibility to transfer to the budget of that instrument 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 that instrument and should be used exclusively for the benefit of the Member State concerned. The Commission should provide feedback to the Member State concerned on the use of the additional voluntary contributions.
- (13) The Technical Support Instrument should be provided on request, in order to support the implementation of reforms undertaken at the initiative of the Member States, reforms in the context of economic governance processes or actions related to the implementation of Union law, and reforms in relation to the implementation of economic adjustment programmes. It should also provide technical support for the preparation and implementation of recovery plans to be undertaken under Regulation (EU) No YYY/XX.
- (14) In line with the rules and practice already existing under the previous programme, the SRSP, a light process for the submission of requests for technical support should be established. For this reason, requests by Member States should be submitted by 31 October of a calendar year. Respecting the overarching principle of equal treatment, sound financial management and transparency, appropriate criteria for the analysis of the requests submitted by Member States should be laid down. Those criteria should be based on the urgency, the severity and extent of the problems, as well as on the support needs identified in respect of the policy areas where technical support is envisaged.
- (15) The content of the cooperation and support plans detailing the measures for the provision of technical support to Member States should also be specified. To that end, the technical support measures envisaged and the related estimated global financial contribution should take into account the actions and activities financed by Union funds or Union programmes.
- (16) For the purposes of accountability, transparency and to ensure visibility of the Union action, subject to certain conditions that protect sensitive information, the cooperation

⁴ Interinstitutional agreement between the European Parliament, the Council of the European Union and the European Commission on better law-making of 13 April 2016 (OJ L 123, 12.5.2016, p. 1–14)

and support plans should be provided to the European Parliament and the Council and communication activities should be carried out by the Commission as appropriate.

- (17) Provisions on the implementation of the Technical Support Instrument should be laid down, in particular the management modes, the forms of funding for the technical support measures and the content of work programmes, which should be adopted by way of implementing acts. In view of the importance of sustaining the efforts of Member States in pursuing and implementing reforms, it is necessary to allow for a co-financing rate for grants of up to 100% of the eligible costs. To allow for a rapid mobilisation of technical support in case of urgency, provision should be made for the adoption of special measures for a limited period of time. To that effect, a limited amount of the budget within the work programme of the Technical Support Instrument should be set aside for special measures.
- (18) In order to ensure an efficient and coherent allocation of funds from the Union budget and to respect the principle of sound financial management, actions under this Regulation should be consistent with and be complementary to ongoing Union programmes, whilst avoiding double funding for the same expenditure. In particular, the Commission and the Member State should ensure, in all stages of the process, effective coordination in order to safeguard the consistency, coherence, complementarity and synergy among sources of funding, including technical assistance thereof.
- (19) Pursuant to paragraphs 22 and 23 of the Interinstitutional Agreement for Better Law-Making of 13 April 2016, there is a need to evaluate the instrument established by this Regulation on the basis of information collected through specific monitoring requirements, while avoiding overregulation and administrative burdens, in particular on Member States. These requirements, where appropriate, should include measurable indicators, as a basis for evaluating the effects of the instrument on the ground.
- (20) It is opportune that Commission provides an annual report to the European Parliament and the Council on the implementation of this Regulation. An independent mid-term evaluation, looking at the achievement of the objectives of the instrument established by this Regulation, the efficiency of the use of its resources and its added value should be carried out. An independent ex-post evaluation should, in addition, deal with the long-term impact of the instrument.
- (21) The work programmes for the implementation of technical support should be established. In order to ensure uniform conditions for the implementation of this Regulation, implementing powers should be conferred on the Commission. Horizontal financial rules adopted by the European Parliament and the Council on the basis of Article 322 of the Treaty apply to this Regulation. These rules are laid down in Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council (the Financial Regulation)⁵ and determine in particular the procedure for establishing and implementing the budget through grants, procurement, prizes, indirect implementation, and provide for checks on the responsibility of financial actors. Rules adopted on the basis of Article 322 TFEU also concern the protection of the Union's

⁵ Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012 (OJ L 193, 30.7.2018, p. 1).

budget in case of generalised deficiencies as regards the rule of law in the Member States, as the respect for the rule of law is an essential precondition for sound financial management and effective EU funding.

- (22) In accordance with the Financial Regulation, Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council⁶, Council Regulation (Euratom, EC) No 2988/95⁷, Council Regulation (Euratom, EC) No 2185/96⁸ and Council Regulation (EU) 2017/1939⁹, the financial interests of the Union are to be protected through proportionate measures, including the prevention, detection, correction and investigation of irregularities and fraud, the recovery of funds lost, wrongly paid or incorrectly used and, where appropriate, the imposition of administrative sanctions. In particular, in accordance with Regulation (EU, Euratom) No 883/2013 and Regulation (Euratom, EC) No 2185/96, the European Anti-Fraud Office (OLAF) may carry out administrative investigations, including on-the-spot checks and inspections, with a view to establishing whether there has been fraud, corruption or any other illegal activity affecting the financial interests of the Union. In accordance with Regulation (EU) 2017/1939, the European Public Prosecutor's Office (EPPO) may investigate and prosecute fraud and other criminal offences affecting the financial interests of the Union as provided for in Directive (EU) 2017/1371 of the European Parliament and of the Council¹⁰. In accordance with the Financial Regulation, any person or entity receiving Union funds is to fully cooperate in the protection of the Union's financial interests, to grant the necessary rights and access to the Commission, OLAF, the EPPO and the European Court of Auditors and to ensure that any third parties involved in the implementation of Union funds grant equivalent rights to the Commission, OLAF, the EPPO and the European Court of Auditors.
- (23) Since the objective of this Regulation cannot be sufficiently achieved by the Member States alone, but can rather be better achieved at Union level, the Union may adopt measures in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty on European Union. In accordance with the principle of proportionality, as set out in that Article, this Regulation does not go beyond that which is necessary to achieve that objective.
- (24) This Regulation should not affect the continuation and modification of support measures approved by the Commission on the basis of Regulation (EU) 2017/825 or any other Union act applying to that assistance by 31 December 2020. Measures approved under Regulation (EU) 2017/825 should therefore remain valid. To that effect, a transitional provision should also be laid down.

⁶ Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council of 11 September 2013 concerning investigations conducted by the European Anti-Fraud Office (OLAF) and repealing Regulation (EC) No 1073/1999 of the European Parliament and of the Council and Council Regulation (Euratom) No 1074/1999, (OJ L248, 18.9.2013, p. 1)

⁷ Council Regulation (EC, Euratom) No 2988/95 of 18 December 1995 on the protection of the European Communities financial interests (OJ L 312, 23.12.95, p.1)

⁸ Council Regulation (Euratom, EC) No 2185/96 of 11 November 1996 concerning on-the-spot checks and inspections carried out by the Commission in order to protect the European Communities' financial interests against fraud and other irregularities (OJ L292, 15.11.96, p.2)

⁹ Council Regulation (EU) 2017/1939 of 12 October 2017 implementing enhanced cooperation on the establishment of the European Public Prosecutor's Office ('the EPPO') (OJ L283, 31.10.2017, p.1)

¹⁰ Directive (EU) 2017/1371 of the European Parliament and of the Council of 5 July 2017 on the fight against fraud to the Union's financial interests by means of criminal law (OJ L 198, 28.7.2017, p. 29)

- (25) In order to allow for the prompt application of the measures provided for in this Regulation, this Regulation should enter into force on the day following that of its publication in the Official Journal of the European Union,

HAVE ADOPTED THIS REGULATION:

CHAPTER I

General provisions

Article 1

Subject matter

This Regulation establishes a Technical Support Instrument ('the instrument').

It lays down the objectives of the instrument, the budget for the period 2021 – 2027, the forms of Union funding and the rules for providing such funding.

Article 2

Definitions

For the purposes of this Regulation, the following definitions apply:

- (1) 'technical support' means measures that help Member States to carry out institutional, administrative and growth-sustaining and resilience-enhancing reforms;
- (2) 'national authority' means one or more public authority at the level of government, including those at regional and local levels, as well as Member State organisations within the meaning of Article 2(42) of the Financial Regulation, cooperating in a spirit of partnership in accordance with the Member States' institutional and legal framework;
- (3) 'Union funds' means the funds covered by Regulation (EU) YYY/XX of the European Parliament and of the Council [CPR successor]¹¹;
- (4) 'international organisation' means an organisation within the meaning of Article 156 of the Financial Regulation, and organisations assimilated with such an international organisation pursuant to that Article.

Article 3

General objective

The general objective of the instrument shall be to promote the Union's economic, social and territorial cohesion by supporting Member States efforts to implement reforms necessary to achieve economic and social recovery, resilience and upward economic and social convergence, and to support Member States' efforts to strengthen their administrative capacity to implement Union law in relation to challenges faced by institutions, governance, public administration, and economic and social sectors.

¹¹ OJ C , , p . .

Article 4
Specific objectives

To achieve the general objective set out in Article 3, the instrument shall have the specific objectives of assisting national authorities in improving their capacity to design, develop and implement reforms, including through exchange of good practices, appropriate processes and methodologies and a more effective and efficient human resources management. Those specific objectives shall be pursued in close cooperation with the Member States concerned.

Article 5
Scope

The specific objectives set out in Article 4 shall refer to policy areas related to cohesion, competitiveness, education, productivity, research and innovation, smart, fair, sustainable, and inclusive growth, jobs and investment, with specific emphasis to actions that foster the green and digital transitions, and in particular to one or more of the following:

- (a) public financial and asset management, budget process, macro-fiscal framework, debt and cash management, expenditure and tax policy, tax compliance, aggressive tax planning, tax fraud and evasion and revenue administration and customs union;
- (b) institutional reform and efficient and service-oriented functioning of public administration and e-government, including, where appropriate, through the simplification of rules, effective rule of law, reform of the justice systems and reinforcement of the fight against fraud, corruption and money laundering;
- (c) business environment, including for small and medium-sized enterprises and social economy enterprises, re-industrialisation, private sector development, product and service markets, investment, public participation in enterprises, privatisation processes, trade and foreign direct investment, competition and public procurement, sustainable sectoral development and support for research and innovation and digitisation;
- (d) education and training, labour market policies, including social dialogue, for the creation of jobs, up- and re-skilling, in particular digital skills, media literacy, active citizenship, the fight against poverty and excessive income inequality, gender equality, the promotion of social inclusion, adequate and inclusive social security and social welfare systems, accessible and affordable public health and healthcare systems, as well as cohesion, asylum, migration and border policies;
- (e) policies for implementing the digital and the green transitions, e-government solutions, e-procurement, connectivity, data access and governance, e-learning, use of Artificial Intelligence based solutions, the environmental pillar of sustainable development and environmental protection, climate action, mobility, promoting the circular economy, energy and resource efficiency, renewable energy sources, achieving energy diversification and ensuring energy security, and for the agricultural sector, soil and biodiversity protection, fisheries and the sustainable development of rural areas; and
- (f) financial sector policies, including: the promotion of financial literacy, financial stability, access to finance and lending to the real economy; and production, provision and quality monitoring of data and statistics.

Article 6
Budget

1. The financial envelope for the implementation of the instrument for the period 2021-2027 shall be EUR 864 406 000 in current prices.
2. The financial envelope for the instrument may also cover expenses pertaining to preparatory, monitoring, control, audit and evaluation activities, which are required for the management of the instrument 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 instrument. Expenses may also cover 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.
3. Resources allocated to Member States under shared management may, at their request, be transferred to the instrument. 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. Those resources shall be used for the benefit of the Member State concerned.

CHAPTER II

Technical support

Article 7
Eligible actions for technical support

Pursuant to the objectives set out in Articles 3 and 4, the instrument shall finance, in particular, the following types of action:

- (a) expertise related to policy advice, policy change, formulation of strategies and reform roadmaps, as well as to legislative, institutional, structural and administrative reforms;
- (b) the short-term or long-term provision of experts, including resident experts, to perform tasks in specific domains or to carry out operational activities, where necessary with interpretation, translation and cooperation support, administrative assistance and infrastructure and equipment facilities;
- (c) institutional, administrative or sectoral capacity building and related supporting actions at all governance levels, also contributing to the empowerment of civil society, including social partners, as appropriate, in particular:
 - (i) seminars, conferences and workshops;

- (ii) working visits to relevant Member States or third countries to enable officials to acquire or increase their expertise or knowledge in relevant matters;
- (iii) training actions and the development of online or other training modules to support the necessary professional skills and knowledge relating to the relevant reforms;
- (d) collection of data and statistics, development of common methodologies and, where appropriate, indicators or benchmarks;
- (e) organisation of local operational support in areas such as asylum, migration and border control;
- (f) IT capacity building, including expertise related to development, maintenance, operation and quality control of the IT infrastructure and applications needed to implement the relevant reforms, cybersecurity, as well as expertise related to programmes geared towards the digitalisation of public services;
- (g) studies, research, analyses and surveys, evaluations and impact assessments, and the development and publication of guides, reports and educational material;
- (h) communication projects for learning, including e-learning, cooperation, awareness raising, dissemination activities and exchange of good practices; organisation of awareness-raising and information campaigns, media campaigns and events, including corporate communication and communication, where appropriate, through social networks;
- (i) compilation and publication of materials to disseminate information and the results of technical support provided under the instrument, including through the development, operation and maintenance of systems and tools using information and communication technologies; and
- (j) any other relevant activity in support of the general and specific objectives set out in Articles 3 and 4.

Article 8

Request for technical support

1. A Member State wishing to receive technical support under the instrument shall submit a request for technical support to the Commission, identifying the policy areas and the priorities for support within the scope as set out in Article 5. These requests shall be submitted by 31 October of a calendar year. The Commission may provide guidance on the main elements to be included in the request for support.
2. Members States may submit a request for technical support in the following circumstances linked to:
 - (a) the implementation of reforms by Member States, undertaken on their own initiative, in particular to support recovery [in line with Regulation (EU) No YYY/XX], achieve sustainable economic growth and job creation and enhance resilience;
 - (b) the implementation of economic adjustment programmes for Member States that receive Union financial assistance under existing instruments, in particular in accordance with Regulation (EU) No 472/2013 of the European Parliament

and of the Council¹² as regards the Member States whose currency is the euro and Council Regulation (EC) No 332/2002¹³ as regards Member States whose currency is not the euro;

- (c) the implementation of growth-sustaining and resilience-enhancing reforms in the context of economic governance processes, in particular the country-specific recommendations issued in the context of the European Semester or actions related to the implementation of Union law;
 - (d) the preparation of recovery and resilience plans pursuant to Regulation (EU) No YYY/XX and the implementation thereof undertaken by Member States;
3. Taking into account the principles of transparency, equal treatment and sound financial management, and further to a dialogue with the Member State, including in the context of the European Semester, the Commission shall analyse the request for support referred to in paragraph 1 based on the urgency, breadth and depth of the problems identified, support needs in respect of the policy areas concerned, analysis of socioeconomic indicators and general administrative capacity of the Member State.

Based on that analysis, and taking into account the existing actions and measures financed by Union funds or other Union programmes, the Commission shall come to an agreement with the Member State concerned on the priority areas for support, the objectives, an indicative timeline, the scope of the support measures to be provided and the estimated global financial contribution for such technical support, which shall be set out in a cooperation and support plan.

4. The cooperation and support plan referred to in paragraph 3 shall identify, separately from other technical support, the measures linked to the recovery and resilience plans for the Member States pursuant to Regulation (EU) No YYY/XX.

Article 9

Information to the European Parliament and the Council and communication on the cooperation and support plans

1. The Commission shall transmit, with the consent of the Member State concerned, the cooperation and support plan to the European Parliament and the Council without undue delay. The Member State concerned may refuse to give such consent in the case of sensitive or confidential information, the disclosure of which would jeopardise public interests of the Member State.
2. Notwithstanding the provisions of paragraph 1, the Commission shall transmit the cooperation and support plan to the European Parliament and the Council in the following circumstances:
- (a) as soon as the Member State concerned has redacted all sensitive or confidential information, the disclosure of which would jeopardise public interests of the Member State;

¹² Regulation (EU) No 472/2013 of the European Parliament and of the Council of 21 May 2013 on the strengthening of economic and budgetary surveillance of Member States in the euro area experiencing or threatened with serious difficulties with respect to their financial stability (OJ L 140, 27.5.2013, p. 1)

¹³ Council Regulation (EC) No 332/2002 of 18 February 2002 establishing a facility providing medium-term financial assistance for Member States' balances of payments (OJ L 53, 23.2.2002, p. 1)

- (b) after a reasonable period of time, when the disclosure of relevant information would not adversely affect the implementation of the support measures, and in any case no later than two months after the delivery of such measures under the cooperation and support plan.
3. The Commission may engage in communication activities to ensure the visibility of the Union funding for the support measures envisaged in the cooperation and support plans, including through joint communication activities with the national authorities concerned.

Article 10

Transfers of resources to the instrument

1. In addition to the financial envelope set out in Article 6(1), the technical support budget may be financed through voluntary transfers from Member States made in accordance with Article 21 of Regulation [CPR successor], and pursuant to the procedure set out in that Article, as referred to in Article 6(3) of this Regulation.
2. A transfer made by a Member State in accordance with paragraph 1 shall be used exclusively in that Member State.

Article 11

Complementary funding

Actions financed under the instrument may receive support from other Union programmes, instruments or funds under the Union's budget provided that such support does not cover the same costs.

Article 12

Implementation of technical support

1. The Commission shall implement the instrument in accordance with the Financial Regulation.
2. The measures under the instrument may be implemented either directly by the Commission or, indirectly, by entities and persons other than Member States in accordance with Article XX of the Financial Regulation. In particular, Union support for actions pursuant to Article 7 shall take the form of:
 - (a) grants;
 - (b) public procurement contracts;
 - (c) reimbursement of costs incurred by external experts, including experts from the national, regional or local authorities of Member States providing or receiving support;
 - (d) contributions to trust funds set up by international organisations; and
 - (e) actions carried out through indirect management.
3. Grants may be awarded to the national authorities of Member States, the European Investment Bank group, international organisations, public or private bodies and entities legally established in:
 - (a) Member States;

- (b) European Free Trade Association countries which are party to the European Economic Area Agreement, in accordance with the conditions laid down therein.

The co-financing rate for grants shall be up to 100 % of the eligible costs.

- 4. Technical support measures may be provided with the cooperation of other Member States' entities and international organisations.
- 5. Technical support may also be provided by individual experts, who may be invited to contribute to selected activities organised wherever that is necessary for the achievement of the specific objectives set out in Article 4.
- 6. In order to implement the technical support, the Commission shall adopt work programmes by way of implementing acts, and inform the European Parliament and the Council thereof.

Work programmes shall set out the allocation for the instrument. They shall also set out the measures needed for their implementation, in line with the general and specific objectives referred to in Articles 3 and 4 and, the selection and award criteria for grants, and all the elements required by the Financial Regulation.

- 7. To ensure timely availability of resources, a limited part of the work programme shall be reserved for special measures in the event of unforeseen and duly justified grounds of urgency requiring an immediate response, including a serious disturbance in the economy or significant circumstances seriously affecting the economic or social conditions in a Member State going beyond its control.

The Commission may, on request by a Member State wishing to receive technical support, adopt special measures in accordance with the objectives and actions defined in the instrument to provide technical support to the national authorities in addressing urgent needs. Such special measures shall be interim in nature, and shall be linked the circumstances laid down in Article 8(2). The special measures shall end within six months and may be replaced by technical support measures in accordance with the conditions set out in Article 8.

CHAPTER III

Complementarity, monitoring and evaluation

Article 13

Coordination and complementarity

- 1. The Commission and the Member States concerned shall, in a measure commensurate to their respective responsibilities, foster synergies and ensure effective coordination between the technical support instrument and other Union programmes and instruments, and in particular with measures financed by the Union funds. For that purpose, they shall:
 - (a) ensure complementarity, synergy, coherence and consistency among different instruments at Union, national and, where appropriate, regional levels, in

particular in relation to measures financed by Union funds, both in the planning phase and during implementation;

- (b) optimise mechanisms for coordination to avoid duplication of effort; and
 - (c) ensure close cooperation between those responsible for implementation at Union, national and, where appropriate, regional levels to deliver coherent and streamlined support actions under the instrument.
2. The Commission shall endeavour to ensure complementarity and synergies with support provided by other relevant international organisations.

Article 14

Monitoring of implementation

1. The Commission shall monitor the implementation of the instrument and measure the achievement of the general and specific objectives set out in Articles 3 and 4. Indicators to be used for reporting on progress and for the purpose of monitoring and evaluation of this Regulation towards the achievement of the general and specific objectives are set in the Annex. The monitoring of implementation shall be targeted and proportionate to the activities carried out under the instrument.
2. The performance reporting system shall ensure that data for monitoring the implementation of the instrument and results are collected efficiently, effectively, and in a timely manner. To that end, proportionate reporting requirements shall be imposed on recipients of Union funding.

Article 15

Annual report

1. The Commission shall provide an annual report to the European Parliament and the Council on the implementation of this Regulation.
2. The annual report shall include information on:
- (a) requests for support submitted by Member States pursuant to Article 8(1);
 - (b) the analysis of the application of the criteria, referred to in Article 8(2), used to analyse the requests for support submitted by Member States;
 - (c) cooperation and support plans referred to in Article 8(3);
 - (d) special measures adopted pursuant to Article 12(7); and
 - (e) implementation of support measures.

Article 16

Mid-term evaluation and ex-post evaluation

1. Four years after the entry into force of this Regulation, the Commission shall provide the European Parliament, and the Council, the European Economic and Social Committee and the Committee of the Regions with an independent mid-term evaluation report on the implementation of this Regulation. The Commission shall also provide those institutions with an independent ex post evaluation report no later than three years after the end of the period specified in Article 1.
2. The mid-term evaluation report shall, in particular, assess to which extent the objectives of the instrument referred to Articles 3 and 4 have been achieved, the

efficiency of the use of resources and the European added value. It shall also consider the continued relevance of all objectives and actions.

3. The ex-post evaluation report shall consist of a global assessment of the implementation of this Regulation and shall include information on its impact in the long-term.

CHAPTER IV

Transitional and final provisions

Article 17

Information, communication and publicity

1. The recipients of Union funding shall acknowledge the origin and ensure the visibility of the Union funding, in particular when promoting the actions and their results, by providing coherent, effective and proportionate targeted information to multiple audiences, including the media and the public.
2. The Commission shall implement information and communication actions relating to the instrument, its actions and its results. Financial resources allocated to the instrument shall also contribute to the corporate communication of the political priorities of the Union, as far as they are related to the objectives referred to in Articles 3 and 4.

Article 18

Transitional provision

1. Technical support actions and activities initiated on or before 31 December 2020 pursuant to Regulation (EU) No 2017/825 shall continue to be governed by that Regulation until their completion.
2. The financial envelope set out in Article 6(1) may also cover technical and administrative assistance expenses, including monitoring, communication and evaluation required pursuant to Regulation No (EU) 2017/825 and not completed by 31 December 2020.
3. Where necessary, appropriations may be entered in the budget beyond 2020 to cover the expenses provided for in Article 6(2) relating to the management of actions not completed by 31 December 2020.

Article 19

Entry into force

This Regulation shall enter into force on the day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the European Parliament
The President

For the Council
The President

LEGISLATIVE FINANCIAL STATEMENT

1. FRAMEWORK OF THE PROPOSAL/INITIATIVE

- 1.1. Title of the proposal/initiative
- 1.2. Policy area(s) concerned in the ABM/ABB structure
- 1.3. Nature of the proposal/initiative
- 1.4. Objective(s)
- 1.5. Grounds for the proposal/initiative
- 1.6. Duration and financial impact
- 1.7. Management mode(s) planned

2. MANAGEMENT MEASURES

- 2.1. Monitoring and reporting rules
- 2.2. Management and control system
- 2.3. Measures to prevent fraud and irregularities

3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE

- 3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected
- 3.2. Estimated impact on expenditure
 - 3.2.1. *Summary of estimated impact on expenditure*
 - 3.2.2. *Estimated impact on operational appropriations*
 - 3.2.3. *Estimated impact on appropriations of an administrative nature*
 - 3.2.4. *Compatibility with the current multiannual financial framework*
 - 3.2.5. *Third-party contributions*
- 3.3. Estimated impact on revenue

LEGISLATIVE FINANCIAL STATEMENT

1. FRAMEWORK OF THE PROPOSAL/INITIATIVE

1.1. Title of the proposal/initiative

Proposal for a Regulation of the European Parliament and of the Council establishing a Technical Support Instrument

1.2. Policy area(s) concerned in the ABM/ABB structure²⁶

Cohesion;

Economic and Financial Affairs

1.3. Nature of the proposal/initiative

The proposal/initiative relates to **a new action**

The proposal/initiative relates to **a new action following a pilot project/preparatory action**²⁷

The proposal/initiative relates to **the extension of an existing action**

The proposal/initiative relates to **an action redirected towards a new action**

1.4. Objective(s)

1.4.1. *The Commission's multiannual strategic objective(s) targeted by the proposal/initiative*

The aim of the instrument is to promote the Union's economic, social and territorial cohesion by supporting Member States' efforts to implement reforms necessary to achieve economic and social recovery, resilience and convergence, and to support Member States' efforts to strengthen their administrative capacity to implement Union law in relation to challenges faced by institutions, governance, public administration, and economic and social sectors.

1.4.2. *Specific objective(s) and ABM/ABB activity(ies) concerned*

Specific objective No

The technical support instrument will, on request from Member States, assist national authorities in improving their capacity to design, develop and implement reforms, including through exchange of good practices, appropriate processes and methodologies and a more effective and efficient human resources management.

²⁶ ABM: activity-based management; ABB: activity-based budgeting.

²⁷ As referred to in Article 54(2)(a) or (b) of the Financial Regulation.

1.4.3. *Expected result(s) and impact*

Specify the effects which the proposal/initiative should have on the beneficiaries/groups targeted.

Technical support should result in enhanced administrative capacity of the Member States in implementing priority reforms to achieve economic and social recovery, resilience and convergence, and in implementing Union law in the relevant policy areas where such support is provided (on request), namely public financial and asset management; budget process; debt management and revenue administration; combating tax evasion; institutional reform, public administration and e-government; business environment; education and training; health; labour market; and implementing the digital and the green transitions and financial sector policies.

1.4.4. *Indicators of results and impact*

Specify the indicators for monitoring implementation of the proposal/initiative.

The result indicators will measure the outcomes of the technical support activities provided, such as adoption of a strategy, adoption of a new law /act or modification of an existing one, adoption of (new) procedures and actions to enhance the implementation of reforms;

The impact indicators will measure the objectives set in the cooperation and support plans, which have been achieved due, inter alia, to the technical support received.

1.5. **Grounds for the proposal/initiative**

1.5.1. *Requirement(s) to be met in the short or long term*

Structural reforms are changes that modify in a lasting way the structure of an economy or the institutional and regulatory framework in which businesses and people operate. If well-chosen and implemented, structural reforms can aid strategic planning for the economic and social recovery, resilience and convergence among the Member States. This is expected to put a solid recovery on the right track and foster Member States' sustainable growth.

The technical support instrument thus aims to support Member-State governments and other authorities, at their request, in their efforts to design and implement recovery-aiding structural reforms. The instrument is intended to contribute to the overall objective of enhancing cohesion, and economic and social recovery, resilience and convergence.

1.5.2. *Added value of EU involvement*

Reasons for action at European level (ex-ante)

Against the background of the COVID-19 outbreak, the need to strategically plan for recovery requires Member States' reform efforts to continue to be accompanied by providing them with substantial technical support to strengthen their administrative capacity to prepare and implement the reforms that will foster resilience and underpin that recovery in its social and economy dimensions.

In that context, added value is offered by an instrument at Union level that will provide focus on the provision of tailor-made expertise for the benefit of all Member States that request support on the ground. Such added value is further translated into the necessary institutional and administrative capacity to implement reforms and to ensure that Member States are able to put the recovery on a solid path.

Moreover, the technical support instrument will promote mutual trust and further cooperation between Member States and the Commission as they face the societal impact of the COVID-19 crisis.

Expected Union added value (ex-post)

While the implementation of structural reforms in Member States remains a national competence, the economic and societal impact caused by the present COVID-19 crisis has underscored the strong links between economies of Member States. Therefore, reform efforts to underpin the recovery from that crisis cannot be a purely national issue. Economic policy coordination of the recovery from this crisis will be discussed in the context of the European Semester. The technical support instrument will aim to accompany the national authorities of the requesting Member States throughout the stages or in specific phases of the reform process, including by providing additional support for the implementation of reforms under the European Semester. In doing so, it will contribute to resilience, convergence and the economic and social recovery of the Member States. Its impact will therefore be felt not only at national level, but will also have positive spill-over effects for the recovery of the Union as a whole.

1.5.3. *Lessons learned from similar experiences in the past*

The technical support instrument is a continuation of the existing 2017-2020 Structural Reform Support Programme (SRSP), which entered into force on 20 May 2017.

A Commission's staff working document accompanying the independent mid-term evaluation report on the SRSP, soon to be adopted by the Commission, examined its performance against the evaluation criteria of relevance, effectiveness, efficiency, coherence and EU added value, and drew a number of lessons:

- the design of the SRSP is aligned with the actual needs of Member States and serves as an appropriate instrument for supporting Member States in strengthening their administrative and institutional capacity;
- the high degree of flexibility, absence of co-financing requirements, makes it possible to translate Member States' needs into feasible actions with realistic timelines and meet the expectations of the Member State;
- sharing good practices among Member States was also evaluated as having significant added value. Furthermore, the SRSP is well integrated in the EU economic governance process;
- the annual cycles of the SRSP and the European Semester are adequately feeding into each other, which enables a comprehensive and coordinated approach towards structural reforms in Member States;
- a high degree of commitment from all stakeholders, a high level of expertise of the technical support provider and favourable political circumstances are considered factors that have a positive influence on the delivery of the SRSP project outputs; and
- a lack of collaboration among stakeholders and changing or uncertain political circumstances are considered to have a negative influence on the successful implementation of technical support projects.

1.5.4. *Compatibility and possible synergy with other appropriate instruments*

The proposal is consistent with and provides for complementarity and synergies with the other Union policies.

The proposal establishing a Recovery and Resilience Facility aims to offer financial support for public investments and reforms. The technical support instrument will provide synergies with the Recovery and Resilience Facility by supporting the preparation and implementation of the plans, and support on reforms thereof during their preparation and implementation. The technical support instrument is compatible with technical assistance available under cohesion policy since such technical assistance is tightly focussed on helping stakeholders build capacity to administer Union funds and at fostering the implementation of projects co-financed under Union funds. Likewise, the technical assistance hub available under the InvestEU is mainly targeted at the preparation of large (private) investment projects and does not target structural reforms. By contrast, the technical support instrument aims at providing support for long-term structural reforms.

1.6. Duration and financial impact

- Proposal/initiative of **limited duration**
 - Proposal/initiative in effect from YYYY to YYYY
 - ✓ Financial impact from from 2021 to 2027
- Proposal/initiative of **unlimited duration**
 - Implementation with a start-up period from YYYY to YYYY,
 - followed by full-scale operation.

1.7. Management mode(s) planned²⁸

- ✓ **Direct management** by the Commission
 - ✓ by its departments, including by its staff in the Union delegations;
 - by the executive agencies
- Shared management** with the Member States
- ✓ **Indirect management** by entrusting budget implementation tasks to:
 - third countries or the bodies they have designated;
 - ✓ international organisations and their agencies (to be specified);
 - ✓ the EIB and the European Investment Fund;
 - bodies referred to in Articles 208 and 209 of the Financial Regulation;
 - ✓ public law bodies;
 - ✓ bodies governed by private law with a public service mission to the extent that they provide adequate financial guarantees;
 - bodies governed by the private law of a Member State that are entrusted with the implementation of a public-private partnership and that provide adequate financial guarantees;
 - persons entrusted with the implementation of specific actions in the CFSP pursuant to Title V of the TEU, and identified in the relevant basic act.
 - *If more than one management mode is indicated, please provide details in the 'Comments' section.*

Comments

N/A

²⁸ Details of management modes and references to the Financial Regulation may be found on the BudgWeb site: http://www.cc.cec/budg/man/budgmanag/budgmanag_en.html

2. MANAGEMENT MEASURES

2.1. Monitoring and reporting rules

Specify frequency and conditions.

The proposal includes monitoring and evaluation obligations. Achievement of the specific objectives will be monitored on the basis of the indicators contained in the proposal; the Commission will report annually to the European Parliament and Council on the implementation of the Regulation.

The Commission will provide the European Parliament and the Council with an interim evaluation report and an ex-post evaluation report.

The mid-term evaluation report will include information on the achievement of the objectives of the Regulation, the effectiveness, efficiency, relevance, coherence and EU added value of the Regulation. It will also address whether all objectives and actions continue to be relevant. The ex-post evaluation report will consist of a global assessment of the Regulation and will include information on its impact in the long term.

2.2. Management and control system

2.2.1. Risk(s) identified

The risks relates to the selection of partners (e.g. international financial institutions (IFI's) and beneficiaries), the contracting phase (transposing the Commission's requirements into the contractual documentation), monitoring and financial transactions (non-observance of processes prescribed by the Commission) and performance measurement (non-achievement of pre-defined targets/objectives).

The measures that will be put into place to mitigate these risks are the following:

- following the established evaluation process before the award decision;
- ex-ante verification by the programme management service and financial verification by the financial service;
- hierarchical validation of operations through appropriate circuits;
- ex-ante assessment for entrusted entity (pillar assessment); and
- ex-post controls to address systemic weaknesses of the ex-ante controls and contributing to the corrections of amounts unduly paid.]

2.2.2. Information concerning the internal control system set up

The instrument may be implemented either directly by the Commission or indirectly, in accordance with Article 62(1)(c) of the Financial Regulation. The instrument builds upon the experience of the SRSP, which has been managed under direct and indirect management, an attractive feature of which has proven to be its administrative simplicity. To ensure continuity and maintain the coherence of the framework, direct management (and where appropriate indirect management) is the most suitable option. Where appropriate, in light of the policy objectives and taking also account of the control objectives, indirect management with international organisations will also be used. The control strategy is considered appropriate and balanced for addressing the traditional risk related to the direct or indirect

management of (procurement and grants and contribution agreements, as detailed in point 2.2.1).

2.2.3. *Estimate of the costs and benefits of the controls and assessment of the expected level of risk of error*

Based on the latest information (available in the 2018 SRSS (now DG REFORM) Management Plan and Annual Activity Report), the estimation of the cost-effectiveness of the controls is below 5%.

The staff costs are estimated using approximations based on analysis of the organigram and job descriptions, while the external costs of controls are based on values of respective contracts and related payments.

Considering the management mode proposed, the risk assessment and the proposed mitigation of risks, the expected rate of errors is low.

2.3. Measures to prevent fraud and irregularities

Specify existing or envisaged prevention and protection measures.

Different measures are in place for the instrument to prevent fraud and irregularities.

In line with the Commission Anti-fraud Strategy covering the whole expenditure cycle, specific anti-fraud action plan for these expenses will be undertaken by the DG REFORM, having regard to the proportionality and cost benefit of the measures to be implemented. This will be broadly based on the experience gained when applying the current anti-fraud strategy of the DG REFORM.

Appropriate internal control processes apply at all levels of management and be designed to provide reasonable assurance of achieving the following objectives: effectiveness, efficiency and economy of operations; reliability of reporting; safeguarding of assets and information; adequate management of the risks relating to the legality and regularity of the underlying transactions, and prevention, detection, correction and follow up of fraud and irregularities.

The anti-fraud action plan will describe the system of ex-ante and ex-post checks based on a system of red flags, and specify the procedures to be followed by staff if fraud or irregularities are detected. It shall also provide information on the working arrangements with OLAF.

3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE

3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected

- Existing budget lines

In order of multiannual financial framework headings and budget lines.

Heading of multiannual financial framework	Budget line	Type of expenditure	Contribution			
	Number Heading 2: Cohesion and Values	Diff./Non-diff. ²⁹	from EFTA countries ³⁰	from candidate countries ³¹	from third countries	within the meaning of Article 21(2)(b) of the Financial Regulation
2	06.01 04 01 (Support expenditure for the Technical Support Instrument– TSI)	Diff./Non-diff.	NO	NO	NO	NO
2	06.02.02 (TSI – Operational Technical Support)	Diff.	NO	NO	NO	NO

²⁹ Diff. = Differentiated appropriations / Non-diff. = Non-differentiated appropriations.

³⁰ EFTA: European Free Trade Association.

³¹ Candidate countries and, where applicable, potential candidate countries from the Western Balkans.

3.2. Estimated impact on expenditure

3.2.1. Summary of estimated impact on expenditure

EUR million (to three decimal places)

Heading of multiannual financial framework	2	Cohesion and Values
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DG REFORM			Year 2021	Year 2022	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027	Post-2027	TOTAL
• Operational appropriations											
06.02.02 (TSI – Operational Technical Support)	Commitments	(1)	114.364	116.692	119.065	121.486	123.956	126.476	128.367	-	850.406
	Payments	(2)	56.382	84.658	97.685	102.053	104.886	107.981	107.853	188.908	850.406
Appropriations of an administrative nature financed from the envelope of specific programmes ³²											
06.04 04 01 (Support expenditure for the Technical Support Instrument - TSI)		(3)	2.000	2.000	2.000	2,000	2.000	2.000	2.000	-	14.000
TOTAL appropriations for DG REFORM	Commitments	=1+1a +3	116.364	118.692	121.065	123.486	125.956	128.476	130.367	-	864.406
	Payments	=2+2a +3	58.382	86.658	99.685	104.053	106.886	109.981	109.853	188.908	864.406

³² Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former ‘BA’ lines), indirect research, direct research.

Heading of multiannual financial framework	5	'Administrative expenditure'
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EUR million (to three decimal places)

		Year 2021	Year 2022	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027	TOTAL
DG: REFORM									
• Human resources		29,890	31,945	31,945	31,945	31,945	31,945	31,945	221,560
• Other administrative expenditure		1,400	1,655	1,695	1,695	1,695	1,695	1,695	11,530
TOTAL DG REFORM	Appropriations	31,290	33,600	33,640	33,640	33,640	33,640	33,640	233,090

TOTAL appropriations under HEADING 7 of the multiannual financial framework	(Total commitments = Total payments)	31,290	33,600	33,640	33,640	33,640	33,640	33,640	233,090
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EUR million (to three decimal places)

		Year 2021	Year 2022	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027	Post 2027	TOTAL
TOTAL appropriations under HEADINGS 1 to 7 of the multiannual financial framework	Commitments	154,720	157,030	157,070	157,070	157,070	157,070	156,060	0,000	1096,090
	Payments	75,791	126,065	150,999	157,070	157,070	157,070	157,070	114,955	1096,090

3.2.2. Estimated impact on appropriations of an administrative nature

3.2.2.1. Summary

- The proposal/initiative does not require the use of appropriations of an administrative nature
- The proposal/initiative requires the use of appropriations of an administrative nature, as explained below:

EUR million (to three decimal places)

	Year 2021 ³³	Year 2022	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027	TOTAL
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HEADING 7 of the multiannual financial framework								
Human resources	29,890	31,945	31,945	31,945	31,945	31,945	31,945	221,560
Other administrative expenditure	1,400	1,655	1,695	1,695	1,695	1,695	1,695	11,530
Subtotal HEADING 7 of the multiannual financial framework	31,290	33,600	33,640	33,640	33,640	33,640	33,640	233,090

Outside HEADING 7³⁴ of the multiannual financial framework								
Human resources								
Other expenditure of an administrative nature	2,000	2,000	2,000	2,000	2,000	2,000	2,000	14,000
Subtotal outside HEADING 7 of the multiannual financial framework	2,000	14,000						

TOTAL	33,290	35,600	35,640	35,640	35,640	35,640	35,640	247,090
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The appropriations required for human resources and other expenditure of an administrative nature will be met by appropriations from the DG that are already assigned to management of the action and/or have been redeployed within the DG, together if necessary with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints.

³³ Year N is the year in which implementation of the proposal/initiative starts.

³⁴ Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former 'BA' lines), indirect research, direct research.

3.2.2.2. Estimated requirements of human resources

- The proposal/initiative does not require the use of human resources.
- The proposal/initiative requires the use of human resources, as explained below:

Estimate to be expressed in full time equivalent units

	2021	2022	2023	2024	2025	2026	2027
• Establishment plan posts (officials and temporary staff)							
XX 01 01 01 (Headquarters and Commission's Representation Offices)	162	173	173	173	173	173	173
XX 01 01 02 (Delegations)							
XX 01 05 01 (Indirect research)							
10 01 05 01 (Direct research)							
• External staff (in Full Time Equivalent unit: FTE)³⁵							
XX 01 02 01 (AC, END, INT from the 'global envelope')	69	74	74	74	74	74	74
XX 01 02 02 (AC, AL, END, INT and JED in the delegations)							
XX 01 04 yy ³⁶	- at Headquarters						
	- in Delegations						
XX 01 05 02 (AC, END, INT - Indirect research)							
10 01 05 02 (AC, END, INT - Direct research)							
Other budget lines (specify)							
TOTAL	231	247	247	247	247	247	247

XX is the policy area or budget title concerned.

The human resources required will be met by staff from the DG who are already assigned to management of the action and/or have been redeployed within the DG, together if necessary with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints.

Description of tasks to be carried out:

Officials and temporary staff	
External staff	

³⁵ AC= Contract Staff; AL = Local Staff; END= Seconded National Expert; INT = agency staff; JED= Junior Experts in Delegations.

³⁶ Sub-ceiling for external staff covered by operational appropriations (former 'BA' lines).

3.2.3. *Compatibility with the current multiannual financial framework*

- The proposal/initiative is compatible the current multiannual financial framework.
- The proposal/initiative will entail reprogramming of the relevant heading in the multiannual financial framework.

Explain what reprogramming is required, specifying the budget lines concerned and the corresponding amounts.

- The proposal/initiative requires application of the flexibility instrument or revision of the multiannual financial framework.

Explain what is required, specifying the headings and budget lines concerned and the corresponding amounts.

3.2.4. *Third-party contributions*

- The proposal/initiative does not provide for co-financing by third parties.
- The proposal/initiative provides for the co-financing estimated below:

Appropriations in EUR million (to three decimal places)

	Year N	Year N+1	Year N+2	Year N+3	Enter as many years as necessary to show the duration of the impact (see point 1.6)			Total
Specify the co-financing body								
TOTAL appropriations co-financed								

3.3. Estimated impact on revenue

- The proposal/initiative has no financial impact on revenue.
- The proposal/initiative has the following financial impact:
 - on own resources
 - on miscellaneous revenue

EUR million (to three decimal places)

Budget revenue line:	Appropriations available for the current financial year	Impact of the proposal/initiative ³⁷					Enter as many years as necessary to show the duration of the impact (see point 1.6)		
		Year N	Year N+1	Year N+2	Year N+3				
Article									

For miscellaneous 'assigned' revenue, specify the budget expenditure line(s) affected.

Specify the method for calculating the impact on revenue.

³⁷ As regards traditional own resources (customs duties, sugar levies), the amounts indicated must be net amounts, i.e. gross amounts after deduction of 25 % for collection costs.