



What is new in the ERP Guidance (and how to make the most of it)

CEF Experts

September 2021



Funded by the European Union.

Novelties in the ERP Guidance

1) Two-tier presentation of structural reforms

- reforms addressing key challenges
- other reforms, addressing challenges in other areas

2) A broader range of reform areas

- four new areas introduced
- small changes in descriptions of existing areas

3) Annex table for linking reforms with strategic documents and IPA

~~4) Annex table on discretionary fiscal measures, including COVID-related~~



1) New structure of Chapter 5

5.1 Update on the three main obstacles to competitiveness and inclusive growth and related reform measures

- **Analysis explaining the three main structural obstacles / challenges**
 - At least one challenge must relate to human capital or social policies
 - A key challenge may be related to one or several reform areas of the ERP
- **Reforms addressing each of the three key challenges**
 - These reforms are expected to be reflected in the budgeting process, serve as a key basis for programming of IPA, and shape policy dialogue with the EU and other actors

5.2 Analysis of obstacles in other areas (not covered in 5.1.) and related structural reform measures

- **Analysis of other important obstacles** (in areas not included among the key challenges)
- **Reforms addressing some of the identified obstacles**
 - Analysis must cover all areas, but reforms may address only some of them

Key Challenges

Key challenge #1: Increasing innovation and skills of young people and adults to enhance employment

- Improving institutional, financial and human capacities for research and innovation
- Increasing the quality and access to VET
- Improving the employability of the most vulnerable unemployed jobseekers especially those affected by COVID-19, through new and revised EPPs and employment services

Key challenge #2: Increasing the coverage and adequacy of social protection and health insurance to reduce the share of the population at risk of poverty

- Increasing the coverage and adequacy of social protection supporting inclusive and sustainable growth
- Increasing access to health care

Key challenge #3: Improve the business environment and investment climate by increasing government support and tackling informality

- Strengthening the fight against informality
- Developing a legal framework to support innovative start-ups
- Improving access to finance for SMEs
- Modernisation of retail payment instruments

2) Broader range of reform areas

i. Public financial management

- re-introduced as it wasn't sufficiently covered in the fiscal chapter

ii. Green transition

- EU priority – transformation of the growth model; last year introduced as a cross-cutting priority

iii. Digital transformation

- EU priority – transformation of the growth model; last year together with research, development and innovation

iv. Business environment and reduction of informal economy

v. Research, development and innovation

- digital economy now a separate area

vi. Economic integration reforms

vii. Energy market reforms

viii. Transport market reforms

- last year energy and transport markets were a joint area

ix. Agriculture, industry and services

x. Education and skills

xi. Employment and labour markets

xii. Social protection and inclusion

xiii. Healthcare

- importance of this area was recognized during the COVID-19 crises

Altogether 13 areas – or even 15, if we consider agriculture, industry and services as separate areas.

How to identify key challenges?

ANALYSE THE OBSTACLES

Starting points:

- Key obstacles in the ERP 2021-23
- Commission's assessment of the ERP 2021-23 – the section on 'Key structural challenges and reform priorities'
- Joint conclusions of the Economic and Policy Dialogue of July 2021 – country-specific policy guidelines

PRIORITIZE THE CHALLENGES

- 'Key obstacles are those that pose the biggest challenge to competitiveness, job creation and social inclusion'
- Existing analysis of obstacles in the ERPs is often too wide and not focused
- 'Reforms addressing key challenges must be supported by strong political commitment for implementation'
- In drafting, make sure these reforms are well designed and presented, also referred to in the macroeconomic and fiscal chapters

How to structure sct. 5.2 (other reforms)?

Option 1: ‚Traditional structure‘ by areas

5.2.1 Public financial management

- obstacles and reforms in this area

5.2.2 Green transition

- obstacles and reforms in this area

5.2.3 Digital transformation

- obstacles and reforms in this area

5.2.4 Business environment and reduction of informal economy

- obstacles and reforms in this area

5.2.5 Research, development and innovation

- obstacles and reforms in this area

5.2.6 Economic integration reforms

- obstacles and reforms in this area

5.2.7 Energy market reforms

- obstacles and reforms in this area

5.2.8 Transport market reforms

- obstacles and reforms in this area

5.2.9 Agriculture, industry and services

- obstacles and reforms in this area

5.2.10 Education and skills

- obstacles and reforms in this area

5.2.11 Employment and labour markets

- obstacles and reforms in this area

5.2.12 Social protection and inclusion

- obstacles and reforms in this area

5.2.13 Healthcare

- obstacles and reforms in this area

BUT: There is no requirement

- to have a reform in each area
- to divide Chapter 5.2. in separate sub-sections for each area

How to structure sct. 5.2 (other reforms)?

Option 2: Grouping the challenges and areas

Challenges related to the transformation of the growth model

Analysis: digital tranformation, research and innovation, green transition, energy and transport markets

Reforms addressing some of the identified challenges

Challenges related to economic competitiveness

Analysis: business environment, economic integration, agriculture, industry, services, public financial management

Reforms addressing some of the identified challenges

Challenges related to human capital and welfare

Analysis: education and skills, labour market and employment, social protection and inclusion, healthcare

Reforms addressing some of the identified challenges

This is only a suggestion, one of many possibilities – as ‘food for thought’.
It would provide a more integrated presentation of reforms across areas.

How to structure sct. 5.2 (other reforms)?

Option 3: Integrated – holistic approach

Integrated, horizontal analysis of challenges not addressed as key challenges in 5.1.

Why? Many challenges are related to several areas:

- skills mismatch: employment, digital transformation, competitive economic sectors
- energy supply: green transition, economic integration

Reforms addressing some of the identified challenges

Why? Many reforms are related to several areas:

- digitalization of healthcare, social services
- circular economy models for industrial production

This is the most demanding approach, but also the most integrated one. It gives a lot of possibilities to streamline the existing set of reforms.

3) Table on strategic links (Annex 2)

Reform measures ERP 2021-2023	Key structural challenges (Commission assessment of ERP 2020-2022)	ERP Policy Guidance 2021	Enlargement Package 2021	Sustainable development goals 2020-2030	European Green Deal / Green Agenda for Western Balkans	European Digital Agenda / Digital Agenda of Western Balkans	IPA III projects supporting this reform
Measure X:	<i>This box should mention the specific key structural challenge(s) from the ERP 2020-2022 Assessment which the measure aims to tackle.</i>	<i>This box should mention if/how this structural reform addresses any ERP Policy Guidance 2021.</i>	<i>This box should mention if/how the reform measure addresses any policy recommendation from the Enlargement Package 2021.</i>	<i>This box should mention the relevant SDG(s) 2020-2030 and a short description of how the measure contributes to achieving the SDG(s).</i>	<i>This box should mention if/how the reform measure addresses the goals of the European Green Deal / Green Agenda for the WB.</i>	<i>This box should mention if/how the reform measure addresses the goals of the European Digital Agenda / Digital Agenda for the Western Balkans.</i>	<i>This box should feature a list of relevant IPA III project(s) supporting this reform measure. Include title, amount and year.</i>
Measure Y							

Conclusions

The two-tier structure of reforms

- enforces better prioritization
- puts focus on key reforms in:
 - o political commitment
 - o IPA programming
 - o policy dialogue
- allows more flexibility in presentations of reforms in non-key areas

Note that 5 reforms must also be referred to in the **macroeconomic chapter** and in the **fiscal chapter** of the ERP.

Introduction of new areas for green transition and digital transformation

- reinforces the link between ERP and the EU priorities
- nevertheless, moving towards a new growth model remains an underlying **horizontal orientation** of the ERP

„Shifting towards a **sustainable and inclusive economic** model, enabled by a wider uptake of digital and clean technologies [...] a new growth strategy which is **based on the green and digital transitions** [...] an opportunity to **modernise traditional industrial models** and to direct private and public investment towards **innovative green technologies and a more sustainable and digital infrastructure.**“