

# Economic Reform Programme (ERP) at a Glance

## ERP – WHAT IS IT?



Economic Reform Programmes (ERPs) are considered a backbone of a country's economic policy – implying **IMPORTANCE**



In practice, documents with over 200 pages, comprising of 7 chapters and 2 annexes, 40+ tables – implying **COMPLEXITY**



Over 100 people take part in preparing it, with many more taking part in stakeholder involvement process – implying **INCLUSIVENESS**

ERPs show way how to maintain macro-fiscal stability and implement structural reforms that help to address identified weaknesses in the economy and help the society become more resilient.

ERPs represent the highest level of engagement of the EU with the Western Balkans and Turkey on socio-economic matters and constitute the basis for economic policy dialogue. Implementation of the reforms identified in the ERPs and of the policy guidance jointly adopted with EU Member States is not only key to improve competitiveness, foster job creation and facilitate social inclusion, but also to meet the economic criteria in the accession process. Every year these are closely examined in line with the enlargement methodology. In order to achieve tangible progress in these reforms, the ERPs should become an essential element for domestic policy planning.

## ERP CHAPTERS

<b>1. OVERALL POLICY FRAMEWORK AND OBJECTIVES</b>	Briefly describes the country's key economic challenges and policy priorities.
<b>2. IMPLEMENTATION OF THE POLICY GUIDANCE</b>	Provides an overview of the measures taken or planned to implement the policy guidance that was adopted in the Economic and Financial Dialogue.
<b>3. MACROECONOMIC FRAMEWORK</b>	Analysis and projections of economic trends.
<b>4. FISCAL FRAMEWORK</b>	Objectives and key measures of the fiscal policy with the budgetary framework for the current and next two years.
<b>5. STRUCTURAL REFORM PRIORITIES</b>	15–20 structural reform measures addressing key challenges and obstacles to competitiveness and inclusive growth.
<b>6. COST AND FINANCING OF STRUCTURAL REFORMS</b>	Summarizes the costs and financing sources of structural reforms from Chapter 5.
<b>7. INSTITUTIONAL ISSUES AND STAKEHOLDER INVOLVEMENT</b>	Explains the institutional process for the preparation and approval of the ERP as well as the public consultation.

Chapters 3, 4 and 5 should be consistent with the measures implementing the policy guidance and should refer back to them and their expected impact.

# OVERALL POLICY FRAMEWORK AND OBJECTIVES & POLICY GUIDANCE

## STAKEHOLDERS & DEADLINES

### ERP working group:

- ERP coordinator
- coordinators at the level of ministries, chapters or reform areas
- link with NIPACs

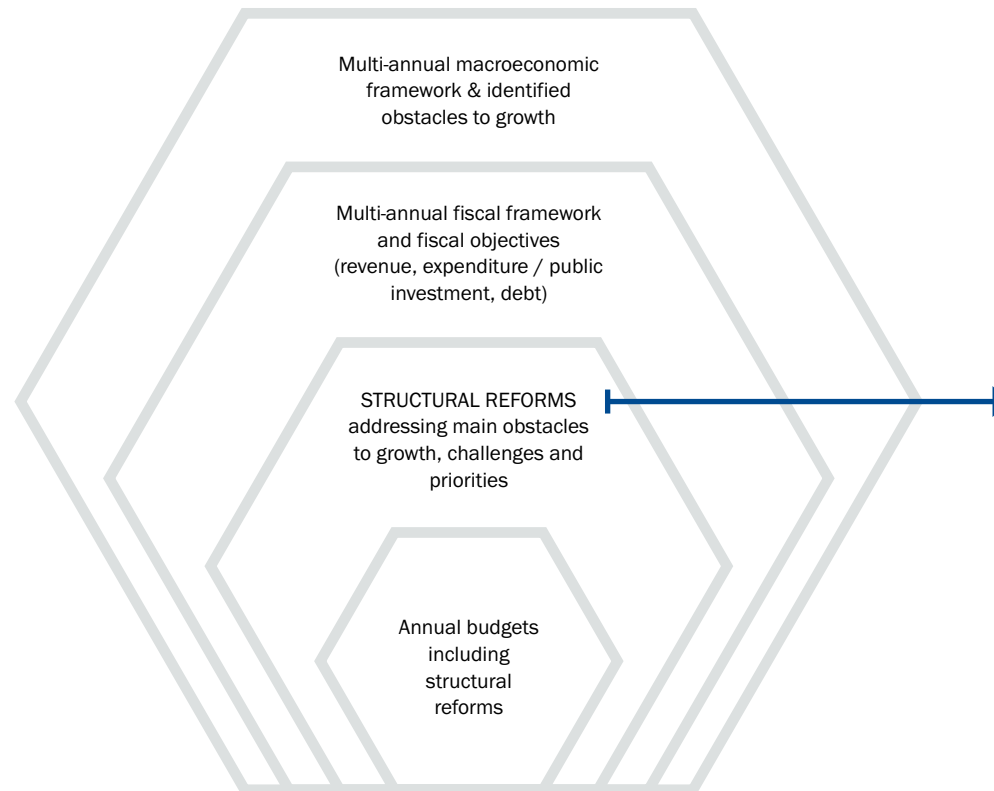
### Other stakeholders:

- business community, social partners and civil society, as well as the national parliament and regional and local authorities



Start of public consultations:  
end November (latest).

ERP submission:  
31 January



Chapter 5 is the most important part of ERP. It should identify and analyse three key challenges across various areas, such as:

- Public Financial Management,
- Green transition,
- Digital transformation,
- Business environment,
- Research, development and innovation,
- Education and skills,
- Social protection and inclusion,
- Energy markets.

Identification and prioritisation of key challenges imply a clear political commitment at the highest level and the ERP should propose relevant reform measures to decisively tackle them.

A second part provides an analysis of the areas not included as key challenges and proposes additional reforms to address them, with maximum number of 20 reform measures.

# PRACTICAL GUIDE FOR DRAFTERS OF ERP MEASURES



## REQUIREMENTS FOR PRESENTING A MEASURE

The ERP Guidance Note requires the presentation of a measure to include:

- analysis of the current situation, challenges and obstacles relevant for the measure,
- description of the measure's objectives and planned activities,
- results indicators and expected impact of the measure,
- estimated costs of implementation and available financial resources,
- identification of risks to implementation and ways to address them,
- linking the measure with other strategic commitments.

You'll need to prepare all these elements in a template provided by the ERP coordinator.



## UPGRADING AN EXISTING MEASURE OR INTRODUCING A NEW ONE?

Most measures are continued from the last ERP. This is understandable, as the implementation period is usually three years. However, a measure that had been implemented or had become a regular activity of the ministry, should be replaced with a new one.

The decision whether to upgrade an existing measure or introduce a new one should be taken jointly with the ERP coordinator, as they best know the logic and priorities of the overall ERP. It is advisable to consult decision-makers in your ministry, as they may want to introduce new priorities to the ERP.



## STEPS FOR UPGRADING AN EXISTING MEASURE

### STEP 1

#### ESTABLISH THE CURRENT STATUS

Fill-out the table 11 of the ERP annex, to establish the progress with implementation of the measure.

Use data and your knowledge to update the analysis of your reform area, and find the latest available values for result indicators of the measure. This will inform you about the changes already achieved by measure implementation and the challenges still to be addressed.

### STEP 2

#### CONSIDER IMPROVEMENTS TO BE MADE

Consider the comments made by the European Commission (EC) to your measure and reform area in their assessment of the last ERP. Check the policy guidance received from the peer-review of the last ERP, to see whether it is related to your measure. Consult with the ERP coordinator on what needs to be improved to address the EC comments, the policy guidance and the requirements of the ERP Guidance Note.

If implementation of the measure has been weak, discuss with those responsible for measure's activities about the steps you can all take to improve. If the measure is not delivering expected results, consider revisions to the activities of the measure, for example by better targeting and design, broadening the scope, or increasing the resources for the measure.

### STEP 3

#### UPGRADE (RE-DRAFT) THE MEASURE

You may use the existing text from the last ERP, but be mindful to make the necessary improvements:

- adjust the measure to reflect comments and guidance from the EC and the ERP coordinator,
- in case of weak implementation, explain the reasons and steps taken to address them,
- do not automatically add activities for another year; this is only justified when implementation has been delayed or when more time is needed to achieve the objectives,
- update the estimated costs and financial sources, as well as the values of results indicators,
- consult the guidance provided below for drafting different elements of the measure and make improvements as necessary.



## STEPS FOR INTRODUCING A NEW MEASURE

### STEP 1 PRIORITIZATION AND CLEAR DEFINITION OF THE MEASURE

Before drafting, consult with the decision-makers in your ministry and the ERP coordinator on the content of the new measure. In this process, clearly define the issues that the measure will address, its objectives, activities that will be taken, and the expected results in terms of improvements to the current situation.

When proposing a new measure for the ERP, you will need to justify why it is a priority – for example, by checking the measure against the prioritization criteria proposed by the OECD. Keep in mind that a reform measure must bring substantial change to current practices and policies. Sufficient human and financial resources must be available for implementation, and the measure must be strong enough to bring tangible improvements to the current situation.

### STEP 2 ANALYSE THE CURRENT SITUATION

Use data and your knowledge to draft an analysis of your reform area, with the purpose of justifying the need for the new measure. Avoid providing too many details and data, focus on the main issues and on what needs to be improved. Explain the reasons why the current situation is not satisfactory. These reasons are called “obstacles” and present challenges that the measure needs to address.

### STEP 3 DESCRIBE THE MEASURE AND ITS ACTIVITIES

Description of the measure should define its objectives and relate it to the challenges it addresses. It should provide the reader with a clear understanding of what will be done and why. If the measure is a part of a broader sectoral reform or linked with other measures, this should also be explained.

Activities should be planned for the current and next two years. Avoid repeating the same activities for all three years – activities should follow one another in a logical sequence of implementation. The number of activities should not exceed 7 (but can be fewer). Descriptions of activities should be short, but clearly state the scope of activity, planned outputs and the responsible institution.

### STEP 4 SELECT RESULTS INDICATORS AND EXPLAIN THE EXPECTED IMPACT

Develop a logical explanation of how your measure will improve the current situation. Based on this ‘intervention logic’, draft the explanation of expected impact of the measure, expressed also by expected improvements of relevant data, for example those used in the analysis of the situation.

Results indicators should be related to objectives or expected impact of the measure, and not to implementation of individual activities. The targets for indicators should realistically express the expected improvements to the current situation. For measures that need more time to deliver all results and impact, the target year for indicators may be beyond the three-year period of the ERP.

### STEP 5 ESTIMATE IMPLEMENTATION COSTS AND AVAILABLE FINANCING SOURCES

To check the measure’s feasibility, you need to estimate the costs of implementation for each activity of the measure. Only the additional costs need to be estimated – in practice, this means that you do not need to account for salaries of the existing personnel and indirect costs.

The costs need to be compared with financing secured for the measure in the medium-term budget and from external sources such as IPA. The availability of resources needs to be confirmed by the Ministry of Finance and the IPA coordinator. Measures where available resources do not cover all costs may be included in the ERP only in exceptional cases and in agreement with the ERP coordinator.

### STEP 6 CONSIDER THE RISKS TO IMPLEMENTATION

Implementation risks are most often related to insufficient implementation capacity, coordination failures, lack of support from political decision makers, lack of cooperation from key stakeholders, unexpected cost increases or insufficient funding. You need to identify the most important risks and explain what steps you will take to address them.

### STEP 7 FINALIZE THE DRAFT MEASURE

For the final version of the ERP, you need to improve your draft measure by taking into account the comments received from the ERP coordinator and stakeholders, as well as the comments provided by the EC during their Autumn mission and CEF and TAIEX experts.



## HELPFUL RESOURCES

- Prioritization of measures > [ERP Prioritization tool \(OECD\)](#)
- Analysis of the situation > [ERP Diagnostics tool \(OECD\)](#)
- Description of measure > [Tips and tricks for writing a good description of a structural reform \(CEF\)](#)
- Results indicators > [Monitoring implementation of structural reforms \(CEF\)](#)
- Costing and financing > [Methodological guidance for costing of structural reforms \(CEF\)](#)