



**European Committee
of the Regions**

ECON-VI/019

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OPINION

Improving the governance of the European Semester: a Code of Conduct for the involvement of local and regional authorities

THE EUROPEAN COMMITTEE OF THE REGIONS

- notes that the LRAs – in spite of their broad powers and competences, their role in the implementation of over 40% of the Country-specific recommendations and their responsibility for over 50% of public investment – are insufficiently involved in the European Semester, notably in the design and implementation of the National Reform Programmes;
- notes that the European Semester builds on analyses that do not systematically account for a territorial differentiation of challenges and opportunities within Member States, due to regions and cities' different starting points and endowments of resources, including institutional and administrative capacity of the public administration;
- proposes a Code of Conduct to give a territorial dimension to the European Semester - both at the *analytical level* (by enriching the Annual Growth Survey, National Reform Programmes and Country-specific Recommendations with analyses of territorial trends and the territorial impact of EU policies) and at the *operational level* (by providing for a stronger and systematic involvement of the local and regional authorities, building on the approaches of partnership and multilevel governance);
- stresses that the implementation of the country-level provisions of the Code of Conduct should be left to Member States, to respect existing differences between Member States' constitutional layouts and sharing of competencies between levels of government; proposes that the Code of Conduct be implemented at country level over a time span of two years, to allow time to adapt it to their specific contexts;
- stresses that the Code of Conduct should be part of a better governance approach, avoiding unnecessary administrative burdens on local and regional authorities.

Rapporteur

Rob Jonkman (NL/ECR), Member of the Executive Council of Opsterland

Reference document

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Opinion of the European Committee of the Regions – Improving the governance of the European Semester: a Code of Conduct for the involvement of local and regional authorities

THE EUROPEAN COMMITTEE OF THE REGIONS

I. The European Semester and its limitations

1. notes that the European Semester is the main tool for economic and fiscal policy coordination at EU level, during which Member States align their budgetary and economic policies with the recommendations agreed at EU level. The Semester affects policymaking by public authorities at the EU, national and local and regional levels along the annual cycle; also underlines the link between the Semester and Cohesion policy, with local and regional governments' access to EU Structural and Investments Funds being subject to EU economic governance rules;
2. considers that the success of the European Semester also depends on the complementarity between EU, national and local public funding instruments;
3. notes that the European Semester does not live up to its promises, as is shown by both poor implementation of the Country-specific Recommendations and weak ownership at country level. Furthermore, despite the Commission's efforts to link it with the Europe 2020 Strategy, the 2030 Agenda for Sustainable Development and with the European Structural and Investment Funds, the European Semester is struggling with the complexity and the multitude of different reference frameworks;
4. considers moreover that the transition to a new European strategic framework succeeding the Europe 2020 strategy would be an appropriate juncture for reforming the governance of the European Semester. Any future long-term development strategy would also require policy coherence and a consistent governance framework. Points to the fact that such a framework is not yet provided by the 2030 Agenda for Sustainable Development;
5. notes that the local and regional authorities, and organisations representing them with their national governments, are not a stakeholder among others but a crucial institutional player in the policymaking process in the light of the actual division of power and competences specific to each Member State; stresses that, over 40 per cent of the 2016 Country-specific Recommendations could not be fully implemented without the active role of the local and regional authorities, which are responsible for over 50 per cent of public investment; they are also partly responsible for the implementation of the EU policies and investment agenda;
6. stresses, that local and regional authorities are the government level closest to the citizens, and that their knowledge of the territorial opportunities and challenges and their ability to dialogue with citizens, businesses, social partners and civil society is as vital in an era of mounting scepticism towards public institutions and representative democracy at EU and country level; notes that a recent Eurobarometer survey has shown that local and regional politicians can play a vital role in strengthening the links between Europe and its citizens¹;

¹ See Flash Eurobarometer 427 issued on 22 October 2015 and based on 62,511 respondents.

7. regrets that the involvement of the local and regional authorities in the European Semester, including the design and implementation of the National Reform Programmes, is neither structured nor explicitly recognised throughout the EU Member States; notes that current practices, widely varying from one country to another, are mostly based on stakeholder consultations, with the local and regional authorities on an equal footing with other bodies recognised as stakeholders, without due consideration to their powers, competences and roles as an indispensable level of government;
8. regrets that the European Semester builds on analyses that do not systematically account for a territorial differentiation of challenges and opportunities within Member States, which are due to regions and cities' different starting points and endowments of resources, including institutional and administrative capacity of the public administration;

II. Improving the governance of the European Semester

9. believes that giving a territorial dimension to the European Semester - both at the analytical level (by enriching the Annual Growth Survey, National Reform Programmes and Country-specific Recommendations with analyses of territorial trends and the territorial impact of EU policies) and at the operational level (by providing for a stronger and systematic involvement of the local and regional authorities, building on the approaches of partnership and multilevel governance) - will help make the European Semester more effective and increase its ownership on the ground. It would also help reinforce the link between the EU policy and investment agenda; notes that the local and regional authorities already provide extensive data as part of the ESI Funds and other relevant information is readily available and can be used in injecting a territorial dimension to the European Semester;
10. believes that a stronger involvement of the local and regional authorities in the European Semester should mean that they be involved from the beginning, among others, by co-designing the National Reform Programmes through a mixed top-down and bottom-up planning process; believes that implementation of the National Reform Programmes should involve coordinated action of all levels of government, based on the approach of multilevel governance²; stresses that transparency and accountability should be ensured along the whole process, which should be more evidence-based and make wider use of territorial impact assessment;
11. considers, moreover, in order to reinforce the scope of the National Reform Programmes and remove some of the existing constraints, that it is crucial for regional/national investments, including co-financing for ESI Funds, to be separated from the Stability and Growth Pact calculation, and believes that this will allow for a consistent alignment of the National Reform Programmes with the ESI Funds in view of their shared objectives;
12. recommends that a Code of Conduct is adopted to give the European Semester a territorial dimension by both embodying territorial analyses in its key documents and ensuring a

² Charter for Multilevel Governance (MLG) in Europe <http://cor.europa.eu/en/activities/governance/Pages/charter-for-multiLevel-governance.aspx>.

structured and ongoing involvement of the local and regional authorities in its planning and implementation;

13. proposes that such a Code of Conduct should set the basic requirements which all relevant levels of government will have to fulfil; notes that the Code of Conduct should take into account the relevant experience of the European code of conduct on partnership in the framework of cohesion policy's ESI Funds³, as well as existing good practices of strong involvement of local and regional authorities in the Semester, in some countries;
14. notes the considerable diversity that exists at national and sub-national levels as regards institutional arrangements, powers, traditions and resources and stresses that the Code of Conduct should be respectful of existing differences between Member States in terms of constitutional layouts and sharing of competencies between national and sub-national levels of government; believes therefore that the concrete implementation of the country-level provisions of the Code of Conduct should be left to Member States;
15. calls for the Code of Conduct to fully respect the principles of subsidiarity and proportionality; believes that the Code of Conduct should be inspired by, and should form part of a better governance approach and of an overall effort for a more streamlined and less complex Semester, focussed on fewer major issues and with a reduced complexity. This means respecting the competences of local and regional governments as well as avoiding unnecessary administrative burdens on local and regional authorities and making use as far as possible of existing structures and processes such as those established under the cohesion policy regulations;
16. welcomes the endorsement of the CoR proposal for a Code of Conduct by the European Parliament, in its Resolution on the implementation of the 2016 European Semester adopted on 26 October 2016 as well as the recognition in its Resolution of 15 February 2017 on the Annual Growth Survey 2017 that a better implementation of country-specific recommendations requires clearly articulated priorities at European level and genuine public debate at national, regional and local levels, as well as a structured involvement of local and regional authorities;
17. welcomes the recent efforts to improve the Semester process through the European Semester Officers of the Commission located in each Member State and underlines the added value of the officers as a contact point for all levels of government and stakeholders; underlines the need to complement these efforts with a stronger engagement with local and regional governments in areas of the Semester relating to their competences;

III. Basic structure and core content of the Code of Conduct

18. recommends that the Code of Conduct includes the following two sections and basic elements, addressed at the relevant institutional players at all levels; recommends that the actual content of the Code of Conduct be developed in partnership between the relevant EU institutions, ensuring

³ Delegated Regulation on the European code of conduct on partnership in the framework of the European Structural and Investment Funds (No 240/2014).

that there is full scope for its country-level provisions to be adapted to the specific national and sub-national contexts in accordance with the principle of subsidiarity;

Section 1: Building the European Semester on a sound territorial analysis

19. recommends that, to ensure a sound territorial basis for the European Semester which will allow a clearer focus on major issues for each government level, the Code of Conduct foresees that:
- a) the European Commission would complement the Annual Growth Survey with a sub-national level analysis; the Country Reports would include a chapter on regional disparities and would acknowledge the role of the local and regional authorities;
 - b) the European Commission would request that the Member States' National Reform Programmes address regional disparities and other territorial issues raised in the Country Reports and review progress towards the Europe 2020 targets also at sub-national level;
 - c) the European Commission would acknowledge and take into account the role of the local and regional authorities in implementing the Country-specific Recommendations;
 - d) the Council, supported in particular by the Economic and Financial Committee, would consider the territorial dimension of the European Semester, before endorsing and formally adopting the Annual Growth Survey and Country-specific Recommendations;

Section 2: Implementing the partnership principle across levels of government in the European Semester

20. recommends that, in terms of involvement of the sub-national levels of government, the Code of Conduct foresees that:
- a) each Member State would put in place standing arrangements for the participation of the local and regional authorities along the whole Semester process commensurate with the competencies of local and regional authorities, taking into account the relevant constitutional provisions and normal practices; each Member State would specify how these arrangements would practically work and their timing, as well as the criteria for identifying the organisations representing the local and regional authorities, analogue to the European code of conduct on partnership adopted in the context of the EU cohesion policy;
 - b) the standing arrangements mentioned above would give the local and regional authorities, in particular, the opportunity to: review the Country Report and share their conclusions and policy responses; take part in the preparation of the NRP; review and comment on the draft CSRs;
 - c) such arrangements would also include provisions concerning the involvement of the local and regional authorities in the implementation of the relevant policy measures of the National Reform Programmes and the Country-specific Recommendations;
 - d) the representative organisations of local and regional authorities identified as interlocutors for the implementation of the Code of Conduct, would meet the European Commission during its country visits and consultations at the beginning of the European Semester; the EU umbrella organisations representing the local and regional authorities would take part in a

structured dialogue with the European Commission, analogue to the "structured dialogue" between ESIF Partners⁴;

- e) the CoR would contribute to monitoring the territorial dimension of the European Semester by providing both territorial analyses of the Semester's main documents (Annual Growth Survey, Country Reports, Country-specific Recommendations and National Reform Programmes) and political assessments at the beginning and the end of the Semester;
- f) the European Parliament, in the political assessments it provides at the beginning and at the end of the European Semester, would take the territorial dimension of the Semester into consideration; the Parliament would also cooperate with the CoR on monitoring the European Semester: to this end, the CoR would be invited to take part in the inter-parliamentary week at the beginning of the year as well as in a hearing before the Parliament issues its final assessment of the European Semester in the autumn;

IV. Launch and implementation of the Code of Conduct

- 21. envisages that the Code of Conduct be implemented at the EU level as soon as it is adopted, and at country level over a time span of two years, to allow the national and sub-national levels of government to introduce it, suitably adapted it to their specific contexts;
- 22. proposes that the EU institutions, within the legal framework currently available, launch the Code of Conduct as soon as possible through an interinstitutional agreement including the CoR;
- 23. recommends that, in the meantime, the Commission, in principle on the basis of Article 121 TFEU, should propose an amendment to the legislative arrangements governing the European Semester in order to explicitly provide a legal basis to make the Code of Conduct legally binding in future;
- 24. points out that the implementation of the Code of Conduct would be facilitated by using and enhancing existing structures and activities such as: the European Week of Regions and Cities, the reactivation of territorial dialogue between the CoR, representatives of cities and regions and the EU institutions, and the use of data already available from Eurostat and local and regional authorities;
- 25. urges the European Commission and the Member States to address the challenge of administrative and institutional capacity at all levels of government, and especially at the sub-national level, which is a barrier to the full implementation of the Country-specific Recommendations; to this aim, reiterates its call to the European Commission to issue a single strategic document setting guidelines and coordination principles for all streams of EU-funded capacity-building technical assistance;
- 26. calls for measures to be considered to encourage Member States to adopt the Code of Conduct;

⁴ Based on art. 5(6) of Regulation (EU) No 1303/2013 (Common Provisions Regulation).

27. invites the European Commission, the Council and the European Parliament to start working on the Code of Conduct in consultation with the CoR, taking into account the above structure and core content and adhering to the principles of subsidiarity and proportionality.

Brussels, 11 May 2017

The President
of the European Committee of the Regions

Markku Markkula

The Secretary-General
of the European Committee of the Regions

Jiří Buriánek

V. PROCEDURE

Title	Improving the governance of the European Semester: a Code of Conduct for the involvement of local and regional authorities
Reference(s)	N/A
Legal basis	Article 307(4) TFEU
Procedural basis	Rule 41 b) ii)
Date of Council/EP referral/Date of Commission letter	N/A
Date of Bureau decision	10 October 2016
Commission responsible	Commission for Economic Policy (ECON)
Rapporteur	Rob Jonkman (NL/ECR), Member of the Executive Council of Opsterland
Analysis	26 October 2016 13 January 2017
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Previous Committee opinions	N/A
Date of subsidiarity monitoring consultation	N/A