



**European Committee  
of the Regions**

**ECON-VI/040**

**134th plenary session, 10-11 April 2019**

## **OPINION**

### **The European semester and cohesion policy: aligning structural reforms with long-term investments**

#### THE EUROPEAN COMMITTEE OF THE REGIONS

- calls for a new strategic framework following the Europe 2020 strategy; welcomes the European Commission's Reflection Paper on "Towards a Sustainable Europe by 2030";
- welcomes the fact that the Annual Growth Survey (AGS) 2019 addresses the regional dimension of European investment policy, but notes that it does so to only a limited extent;
- notes that for the next programming period the Commission envisages more binding coordination between the country-specific recommendations and the cohesion programmes;
- notes that there is still no mechanism at EU level for involving local and regional authorities in a structured way in the development of NRPs and investment strategies. A European Code of Conduct on Partnership has, however, been established under which local and regional authorities are direct partners of the Commission and the Member States in the shared management of cohesion policy;
- notes that this is contrary to the principles of subsidiarity, multi-level governance and partnership;
- stresses that the best way of avoiding infringements of the subsidiarity principle is to get local and regional authorities fully involved in the European semester in a structured way, in line with the principles of partnership and multilevel governance;
- reiterates its position in favour of establishing a Code of Conduct for the involvement of local and regional authorities in the European semester;
- stresses that it is a matter of some urgency to ensure that local and regional authorities have a formal position in the policy process within the European semester. This problem could potentially be addressed by expanding the current Code of Conduct on Partnership to include the European semester policy process.

Rapporteur

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

Reference document

Communication from the Commission to the European Parliament, the Council, the European Central Bank, the European Economic and Social Committee, the Committee of the Regions and the European Investment Bank – Annual Growth Survey 2019: For a stronger Europe in the face of global uncertainty

COM(2018) 770 final

## **Opinion of the European Committee of the Regions – The European semester and cohesion policy: aligning structural reforms with long-term investments**

### **I. POLICY RECOMMENDATIONS**

#### THE EUROPEAN COMMITTEE OF THE REGIONS

##### Introduction

1. The European semester is the main tool at EU level for coordinating the Member States' (socio-) economic and budgetary policies, with the Member States expected to keep their budgetary and economic policies in line with the EU country-specific recommendations (CSRs). The Europe 2020 strategy acts as a policy framework for these recommendations. Through the recommendations, the European Commission aims to encourage the Member States to implement structural reforms to strengthen their economies, boost employment and social inclusion and improve the investment climate.
2. Based on these recommendations, the Member States develop their own national investment strategies. Together with the annual national reform programmes (NRPs), these strategies will be presented as the basis for priority investment projects that should be supported using national and EU funding. The European semester therefore influences policy-making by public authorities at EU, national, regional and local level throughout the year.
3. During the current programming period (2014-2020), the EU tightened coordination between the European semester and the cohesion programmes in the Member States and regions. A recent study carried out by the Directorate-General for Employment, Social Affairs and Inclusion (DG EMPL) shows that the current European Structural and Investment Funds (ESIF) are relevant for around 60% of the country-specific recommendations
4. For the next programming period (2021-2027), the Commission envisages more binding coordination between the country-specific recommendations and the cohesion programmes, with the aim of boosting the effectiveness of action financed under cohesion policy and producing more sustainable results. In order to achieve this, the 2019 European semester will put more focus on assessing investment needs, in order to guide programming decisions for 2021-2027. The analysis in the 2019 country reports will look at the investment needs in each country, including the sectoral and regional dimensions, where relevant. On the basis of this analysis, a new annex to the country report will indicate which investment needs are relevant for cohesion policy in 2021-2027.
5. For the new cohesion programmes, the Commission proposes, in the draft Common Provisions Regulation, taking account of country-specific recommendations on at least two occasions: when programming begins and during the mid-term review. This review is due to take place in 2025.
6. The Commission will specifically take into account the country-specific recommendations both when adopting the partnership agreement and in the ESIF programmes.

7. Regrets that the Commission has not yet, ahead of the presentation of its proposals for the regulations applicable to the new EU funding programmes as of 2021 and of the new governance cycle starting after the European elections of May 2019, issued a proposal for a successor to the Europe 2020 strategy, despite repeated requests from the Committee and Parliament and criticism from the European Court of Auditors. Welcomes however the publication of the European Commission's Reflection Paper on "Towards a Sustainable Europe by 2030" on 30 January 2019, to which the CoR will dedicate separate opinions on the governance-related aspects and on the implementation of the environment and climate-oriented objectives. Indeed, if Europe wants to succeed in the paradigm shift to become sustainable by 2030, the full involvement of local and regional governments is needed as they carry the responsibility for the attainment of 65% of the SDGs targets.

#### The Committee on the European semester in connection with cohesion policy

8. The Committee of the Regions refers to the opinions and resolutions it published in 2017 and 2018 on the European semester and the role that local and regional authorities play within it, the link to cohesion policy, and the application of the principles of subsidiarity, partnership and multilevel governance.
9. The Committee supports the EU's commitment to reforms in the Member States to foster competitiveness and growth, to strengthen economic, social and territorial cohesion and economic convergence, and to increase resilience to external shocks in order to improve the stability of the euro area<sup>1</sup>.
10. With a view to those reforms, the Committee calls for a new strategic framework following on from the Europe 2020 strategy. This new strategy would also present a good opportunity to reform European semester governance, given that, with a few notable exceptions, local and regional authorities generally have little or no involvement in drafting NRPs<sup>2</sup>. This undermines the democratic credentials of the European semester and its territorial legitimacy.
11. The Committee points out that up to now too little has been done to engage local and regional authorities in the process of creating new strategic frameworks or drawing up the NRP. This problem could be solved, for example, using expertise from the Network of Regional Hubs, which is working, under the coordination of the Committee of the Regions, to gather feedback on the implementation of EU policy from 20 regions in 2019-2020.
12. With regard to the European semester, the Committee draws attention to the lack of ownership and administrative capacity at all levels of government - two elements that are necessary for successful implementation of the country-specific recommendations. The European semester process is not helped in this respect by the lack of a clear definition of what "structural reforms" actually are. In line with the subsidiarity and proportionality principles, only structural reforms that are relevant for implementation of the Treaty objectives should be eligible, and the action

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<sup>1</sup> Resolution of the European Committee of the Regions on the economic policies for the euro area and in view of the 2019 Annual Growth Survey, 9 October 2018.

<sup>2</sup> Ibid.

must be in keeping with what is necessary to achieve that objective and relate directly to EU competences<sup>3</sup>.

13. In the Committee's view, ownership of the CSRs can be strengthened by increasing the involvement of local and regional authorities, in order to give the European semester a territorial dimension both at *analytical level* (by expanding the Annual Growth Survey, the NRPs and the CSRs to include analyses of territorial trends and the territorial impact of EU policy) and at *operational level* (by ensuring that local and regional authorities are more extensively and systematically involved, based on partnerships and multilevel governance)<sup>4</sup>.
14. As regards coordination between the European semester, the CSRs and cohesion policy, the Committee argues that cohesion policy is in principle a standalone policy and that its objectives (economic, social and territorial cohesion) must be maintained at all times. This means paying attention to the degree of relevance between the CSRs and the cohesion programmes and the importance of cooperation between national, regional and local authorities in terms of both the NRPs and the cohesion programmes<sup>5</sup>.

#### The position of local and regional authorities in the European semester and cohesion policy

15. The Committee notes that, despite the link between the European semester and the current cohesion programmes, there is still no mechanism at EU level for involving local and regional authorities in a structured way in the development of NRPs and investment strategies. A European Code of Conduct on Partnership has, however, been established for the preparation, implementation and evaluation of ESIF programmes and partnership agreements. Under this code of conduct, local and regional authorities are direct partners of the Commission and the Member States in the shared management of cohesion policy.
16. The Committee stresses that the recommendations issued in connection with the European semester primarily relate to policy areas where the EU and the Member States have shared competence, and the EU can only take action to support them.
17. The Committee stresses that the structured involvement of local and regional authorities needs to become a permanent fixture in the European semester. It finds it regrettable that the Annual Growth Survey refers to the involvement of the social partners and national parliaments but not to that of local and regional authorities, as was the case in 2018.
18. The Committee notes that this is contrary to the principles of subsidiarity (Article 5(3) TEU and Protocol No 2), multi-level governance and partnership (see Article 6 on Partnership and multi-level governance of the draft proposal for a regulation laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, and the European Maritime and Fisheries Fund and financial rules for those and for the Asylum and

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<sup>3</sup> Opinion on the Reform Support Programme and European Investment Stabilisation Function (COR-2018-03764).

<sup>4</sup> Opinion on improving the governance of the European semester: a Code of Conduct for the involvement of local and regional authorities (COR-2016-05386).

<sup>5</sup> Opinion on the Common Provisions Regulation (COR-2018-03593).

Migration Fund, the Internal Security Fund and the Border Management and Visa Instrument COM(2018) 375), as the CSRs, via cohesion policy, directly influence policy-making at local and regional level and thus impose obligations on that level of government in those policy areas where it has legislative powers. This also runs counter to the principles in the Council of Europe's European Charter of Local Self-Government.

19. The Committee would refer in this connection to the Commission communication of 23 October 2018 on subsidiarity<sup>6</sup>, which acknowledges, among other things, that local and regional authorities are different to other stakeholders because they are at the forefront of implementing Union law and that "there is scope in many cases for the views of national and regional Parliaments and those of local and regional authorities to be reflected better [...] during the legislative procedure".
20. The Committee would also refer to the fourth recommendation of the Commission's Task Force on Subsidiarity, Proportionality and "Doing Less More Efficiently", which states that "Member States should follow the European Commission's guidance and engage meaningfully with local and regional authorities when preparing their national reform programmes and designing and implementing structural reforms as part of the European semester to improve ownership and implementation of these reforms"<sup>7</sup>.
21. The Committee therefore stresses that the best way of avoiding infringements of the subsidiarity principle and ensuring that the policy is effectively coordinated is to get local and regional authorities fully involved in the European semester in a structured way, in line with the principles of partnership and multilevel governance. In that context, it is worrying that the Council negotiations on the Common Provisions Regulation raised the possibility of relaxing those two principles, given that this could undermine effective coordination between the European semester and cohesion policy.

#### Towards country-specific recommendations and new cohesion programmes 2021-2027

22. In response to the Romanian Presidency's request that the Committee produce an opinion on how much flexibility the regions have within the link between the cohesion programmes and the country-specific recommendations and how the regions can be given a greater role in the European semester, the Committee would note the following:
23. The Committee welcomes the fact that the Annual Growth Survey (AGS) 2019 addresses the regional dimension of European investment policy, but notes that it does so to only a limited extent.
24. The Committee notes that the 2019 country reports include for the first time an assessment of regional disparities as well as the "Investment guidance on cohesion policy funding 2021-2027"

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<sup>6</sup> COM (2018) 703 final.

<sup>7</sup> Report of the Task Force on Subsidiarity, Proportionality and "Doing Less More Efficiently": Active Subsidiarity. A new way of working (July 2018).

(Annex D) for each Member State which launches the dialogue between the Commission and the Member States on the programming of cohesion policy in 2021-2027.

25. The Committee welcomes the statement in the AGS 2019 that "Europe needs to take a long-term view". It stresses that a set of shared long-term objectives makes it easier to find the necessary trade-offs between the objectives of sustainable growth, cohesion, social inclusion, resilience and macro-economic stability that will enable the Member States to achieve a practicable and socially accepted mix of investment and structural reform.
26. The European Commission and the Member States should therefore ensure that all levels of government are involved in preparing the country reports and the country-specific recommendations in particular by identifying what mix of investments and reform is best suited to their countries and regions, and designing the relevant policy bearing in mind national reports.
27. In this context, the Committee reiterates its position in favour of establishing a Code of Conduct for the involvement of local and regional authorities in improving the governance of the European semester<sup>8</sup>. It is important for local and regional authorities to be given a formal place in the European semester process, so that the country-specific recommendations can - where relevant - be translated, by means of dialogue and horizontal coordination, into investment in the new cohesion programmes.
28. Stresses that the programming process for the new cohesion programmes has already started with the Country Reports published on 27 February 2019<sup>9</sup> and paving the way to the CSR and NRPs, and that it is therefore a matter of some urgency to ensure that local and regional authorities have a formal position in the policy process within the European semester. This problem could potentially be addressed by expanding the current Code of Conduct on Partnership to include the European semester policy process.
29. With a view to enhancing the role of local and regional authorities in the European semester, the Committee supports initiatives to gather and exchange good examples of local and regional authority involvement in NRPs and investment strategies.
30. The lack of formal involvement of local and regional authorities in the European semester policy process is liable to result in a top-down approach to programming the new cohesion programmes, which would place undesirable restrictions on freedom of choice at local and regional level and undermine flexibility. This could exacerbate the lack of ownership of the CSRs and thwart successful implementation of the new cohesion programmes, which is at odds with the Commission's intention of making cohesion policy more results-oriented and increasing the policy's added value for the EU and its Member States.

Brussels, 10 April 2019

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<sup>8</sup> Opinion on improving the governance of the European semester: a Code of Conduct for the involvement of local and regional authorities (COR-2016-05386).

<sup>9</sup> [https://ec.europa.eu/info/publications/2019-european-semester-country-reports\\_en](https://ec.europa.eu/info/publications/2019-european-semester-country-reports_en)

The President  
of the European Committee of the Regions

Karl-Heinz Lambertz

The Secretary-General  
of the European Committee of the Regions

Jiří Buriánek



## II. PROCEDURE

<b>Title</b>	The European semester and cohesion policy: aligning structural reforms with long-term investments
<b>Reference document</b>	COM(2018) 770 final
<b>Legal basis</b>	Art. 307(4) TFEU
<b>Procedural basis</b>	Rule 41 b) i) RoP
<b>Date of Council/EP referral/Date of Commission letter</b>	Romanian Presidency request on 15/10/2018
<b>Date of Bureau/President's decision</b>	
<b>Commission responsible</b>	Commission for Economic Policy (ECON)
<b>Rapporteur</b>	Rob Jonkman (NL/ECR)
<b>Analysis</b>	
<b>Discussed in commission</b>	13/12/2018
<b>Date adopted by commission</b>	14/02/2019
<b>Result of the vote in commission (majority, unanimity)</b>	Unanimous
<b>Adopted at plenary</b>	10/04/2019
<b>Previous Committee opinions</b>	
<b>Consultation of Subsidiarity monitoring network</b>	–