



European Committee
of the Regions

Commission for
Economic Policy

ECON

Improving the European Semester by involving local and regional authorities: Overview of good practices

Study



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Catalogue number: QG-05-17-008-EN-N; ISBN: 978-92-895-0946-6; doi:10.2863/25901

This report was written by Jürgen Pucher (*Project Leader*)

and Haris Martinos (METIS GmbH).

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Glossary of terms

AGS	Annual Growth Survey
CEMR	Council of European Municipalities and Regions
CoC	Code of Conduct
COM	European Commission
CoR	European Committee of the Regions
CR	Country Report
CPMR	Conference of Peripheral Maritime Regions of Europe
CSR	Country-specific Recommendation(s)
EP	European Parliament
ESIF	European Structural and Investment Funds
ERDF	European Regional Development Fund
ES	European Semester
ESO	European Semester Officer
EU	European Union
EU2020	Europe 2020 strategy
LRA	Local and Regional Authorities
MS	Member States
MLG	Multi-level Governance
NRP	National Reform Programme
ToR	Terms of Reference

Executive summary

This study aims to contribute to the backing of the European Committee of the Regions (CoR) proposal for a Code of Conduct on the involvement of local and regional authorities (LRA), and to inform the implementation of the Code. It highlights good practices in LRA involvement in the European Semester in different Member States, as well as shortcomings and disbenefits arising from insufficient LRA involvement. Its methodology relies mainly on six case studies of different EU Member States and desk research (analyses of the key Semester reports and other EU-level research documents).

The European Semester and the role of LRAs

There are well-known shortcomings in the performance of the European Semester, notably a poor implementation record of the Country-specific Recommendations and a weak ownership at country level. The CoR has proposed a Code of Conduct for a systematic and structured involvement of LRAs that will help overcome these shortcomings; to be introduced over a two-year period in a pragmatic way, respecting the national and sub-national institutional architecture and practices, in accordance with the principle of subsidiarity.

The European Semester is the main EU tool for economic and fiscal policy coordination and also serves as a framework to support growth and jobs targets as set out in the Europe 2020 Strategy. However, its performance has been in some respects problematic. Various analyses, by different EU institutions, reveal that it does not live up to its promises, as shown by both the poor implementation record of the Country-specific Recommendations (CSR) and a weak ownership at country level.

The CoR has argued that to help overcome these shortcomings and to successfully pursue the policy priorities of the European Semester, the LRAs should be involved in a more systematic and structured manner throughout the annual cycle of the Semester. To this end, in May 2017 the CoR adopted an Opinion entitled “Improving the governance of the European Semester: a Code of Conduct for the involvement of local and regional authorities”.

The Opinion envisages that the structure and core provisions of the Code of Conduct (CoC) should ensure that, on the one hand, the Semester builds on sound territorial analyses that will allow a clearer focus on major issues for each government level and, on the other hand, the partnership principle is implemented across all levels of government.

The CoR recommended that the CoC should be developed jointly by the relevant EU institutions, ensuring 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.

Current practices regarding LRA involvement in the European Semester

The rich and varied experience in Member States has been examined in some depth through case studies on Sweden, Portugal, Italy, Czech Republic, Romania and France. They cover the current involvement of LRAs in the European Semester process and, especially, the role of the LRAs in the implementation of the CSRs and towards achieving the Europe 2020 strategy targets, and they compare the status quo with the key elements of the proposed Code of Conduct.

Sweden – The LRAs are treated as a full partner and have many opportunities to contribute throughout the Semester cycle. These arrangements are well established and, since 2013, are underpinned by a written agreement between the social partners on the scope, format and timing of this consultation process. The role of LRAs in the implementation of the Europe 2020 strategy is fully recognised as evidenced in the inclusion of a large number of LRA projects in a separate appendix of the National Reform Programme (NRP). The existing Semester coordination and consultation arrangements are well developed and practically all the essential elements of the proposed CoC are in place.

Portugal - The Semester process in Portugal is evolving, becoming more inclusive, and affords more opportunities for genuine engagement to the LRAs, e.g. through decentralised thematic debates, as well as formal consultations on the NRP. The whole shift is accompanied by proposals for significant transfers of powers and resources to the sub-national level. Overall, the Semester process is moving closer to what is envisaged in the proposed CoC. However, there is still much that needs to be done as the current level of LRA involvement is rather low, and the awareness and capacity of the LRAs are limiting factors.

Italy - The operation of the European Semester in Italy has been stable for some time, with the representatives of the regions active in most stages of the Semester process. The LRAs have a say and also play an important role in implementation, especially towards the Europe 2020 targets. They see themselves as ‘indispensable partners’ and have views on potential improvements in the process and on the link between the Semester and the future of cohesion policy. Many elements corresponding to the CoC are in place through existing formal arrangements regarding Government/LRA consultations and the sub-national level is having an active role in a range of policy fields.

Czech Republic – The European Semester process in the Czech Republic is well established and falls into two parts: a formal tripartite process with meetings between government and social partners; and a less formal and more flexible part involving a series of NRP *roundtables* and other meetings every year. The LRAs are involved in the latter, have an opportunity to contribute in the NRP and play an important role in policy implementation. A number of elements of the proposed CoC are lacking but it should be fairly easy to establish, such as territorial analyses, while other aspects will probably need a more gradual transition and a longer timeline.

Romania – The LRAs in Romania are contributing across-the-board towards the attainment of the Europe 2020 targets and to non-legislative policy measures. However, at present, there is no formally established mechanism regarding their role in the preparation of the NRP or in responding to the Country Report and CSRs. Relatively few elements corresponding to the CoC are in place, almost entirely through informal arrangements. Although, the process related elements of the CoC would not be too difficult to introduce – with the support of the Commission’s European Semester Officer (ESO) and in cooperation with the LRA associations – other content-related aspects probably need a longer timeline, with considerable capacity building included.

France – Three LRA associations have official statutes and are recognised as ‘partners’ and are invited to briefings and information meetings organised during the Semester cycle by the Government and/or the Commission’s ESOs. However, it has not been possible so far for the LRAs to play an active role in the preparation of the NRP or in responding to the Country Report and CSRs at national level. Relatively few elements corresponding to the CoC are in place, almost entirely through informal arrangements and, although the process related elements of the CoC should be relatively easy to introduce, other content-related aspects will probably need a longer timeline and/or a significant shift in traditional Government/LRA relationships.

Lessons from current practices

There are various consultative arrangements at country level regarding the European Semester, referred to as ‘formal’ or ‘informal’ processes, but there is a lack of specific arrangements to ensure the full involvement of LRAs. Some of the existing practices come fairly close to what is proposed in the CoC. Where the LRAs play a full partner role the advantages of their involvement range from a better analysis and formulation of policy measures to ownership/commitment to reforms and targets. Conversely, where the process is ‘for information’ and the LRAs are restricted to a role of ‘implementer’ we see tension and inefficiencies leading to underperformance

during implementation. Adequate administrative capacity, including political level engagement, and a good alignment of competencies and financial resources are important factors for LRAs to be able to play a full partner role. Together with a country's constitutional architecture and actual division of powers, they are key parameters affecting the relevance and transferability of good practices.

There are no country-level consultation arrangements which are dedicated to the LRAs. Instead, the LRAs participate in different ways and to a different extent through formal and informal processes. In some cases it is through existing state/LRA consultative structures (e.g. IT, PT). In other cases – mostly in Northern European countries – they can participate in formal tripartite consultative arrangements involving the government and the social partners. In federal countries they have further opportunities, such as through regional parliaments.

Such ‘formal’ processes are complemented by various other processes, usually described as ‘informal’ because they lack a statutory basis. They are often fairly comprehensive, both in terms of the full Semester cycle and the range of participants (‘stakeholders’), and the LRAs or their associations have the opportunity to be involved. Some such informal but comprehensive schemes come close to what is envisaged in the proposed CoC, especially where an explicit agreement is in place recognising the LRAs as a partner, as in Sweden.

Regarding the policy ‘content’ of the Semester, the case studies have shed considerable light on what the LRAs do and can do in the Semester, especially in the preparation and implementation of the NRP, the response to the CSRs and the attainment of the Europe 2020 targets. The involvement of the LRAs is of direct relevance to several policy areas – notably: labour market, education and social policies, public administration and business environment – and they have been contributing to a varying but considerable extent using ESIF and other funding. However, their contribution is ‘under the radar’, going unreported and not recognised in the Semester documentation mainly because the Commission and the government concerned are focused on legislative actions which do not directly involve the LRAs in most countries.

Overall, this is a fragmented picture of how and where the LRAs are at present involved and contribute to the Semester, but it contains many experiences which are directly relevant to the main elements of the proposed CoC and can inform its implementation. Indeed, notwithstanding the existing differences throughout the EU, there are lessons drawn from the case studies and other sources which can be applied, country by country, to fill the gaps between existing practices and the provisions of the proposed Code of Conduct.

However, putting the CoC into practice needs to address two major challenges which largely transcend similarities or differences in powers and institutional arrangements. The first challenge is for the LRAs to be recognised as a full (rather than a nominal) partner contributing throughout the Semester cycle in a wide range of policy areas, rather than being treated as a mere ‘implementer’ or policy delivery instrument. The former means that the LRAs are involved in the Semester process ‘for contribution’ rather than merely ‘for information’. Playing a full partner role has many benefits ranging from better analyses and formulation of policy measures to ‘ground level’ ownership and commitment to reforms and targets in the policy competence areas of the LRAs. Conversely, where the process is ‘for information’ and the LRAs are restricted to a role of ‘implementer’, we see tension and inefficiencies and there many examples of underperformance during implementation.

The second challenge is ensuring that the LRAs are in a position to make substantive contributions to the content of the Semester and are able to play effectively the role of full partner. It crucially means:

- addressing multiple aspects of administrative capacity, including the limitations of some national associations to play a fuller role due to lack of expertise and other constraints, and the need to boost the role of the elected political LRA level in the Semester process;
- overcoming the misalignment of competencies and financial resources of the LRAs, which frequently occur, especially if the LRAs have been historically playing a narrower policy delivery role.

These two parameters, together with a country’s constitutional architecture and division of powers, are also crucial factors in the transferability of relevant experiences and good practices as part of the implementation of the Code of Conduct.

Conclusions and recommendations

The European Semester is becoming embedded in the national processes concerning economic policy, structural reforms and the attainment of Europe 2020 objectives. The LRAs play a relevant role, falling short from being involved as full partners in a visible way. The implementation of the CoC’s will offer a common baseline and will raise the involvement of LRAs throughout the EU to full partner level. This is an ambitious step forward that will help maximise the LRA contribution. There is plenty of relevant practical experience of relevance to the implementation of the CoC. National and sub-national governments can take to steps to assess where they are now and how

to learn from good practices, and the Commission and CoR can support these efforts.

The European Semester is becoming embedded in the national processes. There are diverse coordination and consultation arrangements in place at country level related to the Semester but there is a lack of specific and dedicated arrangements to ensure the full involvement of LRAs.

Overall, the LRAs play a relevant role, falling short from being involved as full partners in a visible way:

- in some cases their involvement is ‘for information’ and their role is viewed as one of ‘implementer’ of policy measures;
- in other cases they are involved ‘for contribution’ and are recognised as partners;
- an involvement ‘for endorsement’ or ‘co-decision’ is typically the case in federal states.

LRAs can and want to play a bigger role in the content of the European Semester, both at specific policy measure level and towards a longer term strategy. Making a bigger contribution will be beneficial to the whole Semester.

The CoC’s added value is that it offers a common baseline and reference framework, and its implementation will raise the involvement of LRAs throughout the EU to (at least) full partner level. This is an ambitious step forward that will help maximise the LRA contribution.

In terms of practicalities, the case studies show that the implementation of the CoC is feasible to achieve in a pragmatic way, within a two-year timespan, respecting country differences and the principle of subsidiarity.

There are plenty of relevant practices and elements envisaged for the CoC are already in place and can be supplemented or adapted and, moreover, countries can benefit from greater transferability of good practices. Adequate administrative capacity and good competencies/resources alignment are essential conditions for a full partner role and (together with the constitutional architecture and division of powers) are key parameters affecting the relevance and transferability of good practices.

There are several possible actions that national and sub-national governments can take to assess where they are now and how to learn from good practices. They include a Semester process ‘check-up’ in each country and the sharing of experience and good practices on topics such as the territorial dimension of the

European Semester, the involvement of the LRA politicians and the role of LRA associations. These efforts can be supported by the European Commission e.g. through targeted support by the ESOs in countries where the check-up shows major gaps and by the CoR and the Commission initiating debates on long-term strategy and the links of the Semester with Cohesion and sustainable development policies.

1 Introduction

The European Semester embodies the European Union's framework for economic and fiscal policy coordination. The CoR has proposed a Code of Conduct for the involvement of LRAs in the European Semester as a way of improving its governance and performance.

This study aims to contribute to the backing of the CoR proposal for a Code of Conduct by highlighting good practices in LRA involvement in the European Semester in different Member States, as well as shortcomings and disbenefits arising from insufficient LRA involvement.

This chapter presents the objectives, methodology and sources of information of this study, and the structure of the present report.

1.1 Background and objectives

The European Union's framework for economic and fiscal policy coordination and surveillance is embodied in the European Semester, which was introduced as a response to the European debt crisis in 2010. In this function, the European Semester also serves as a framework to support growth and jobs targets as set out in the Europe 2020 Strategy.

However, there are well-known shortcomings in the performance of the Semester, notably a poor implementation record of the Country-specific Recommendations (CSR) and a weak ownership at country level. The CoR has argued that a systematic and structured involvement of LRAs will help overcome these shortcomings. To this end, it has recently adopted unanimously an own-initiative Opinion on improving the governance of the European Semester which includes specific proposals for a Code of Conduct regarding the involvement of local and regional authorities in the Semester¹.

This study aims to contribute to the backing of the CoR proposal for a Code of Conduct (CoC) by highlighting good practices in LRA involvement in the European Semester in different Member States and shortcomings and disbenefits arising from insufficient LRA involvement.

¹<http://cor.europa.eu/en/activities/opinions/pages/opinion-factsheet.aspx?OpinionNumber=CDR%205386/2016>

The specific objectives of the report are to:

- a. highlight the negative effects of the current situation on the performance of the European Semester;
- b. point at available examples that show how the involvement of LRAs, in the light of the principles of partnership and multi-level governance, would help to improve the delivery of the CSRs and increase ownership on the ground;
- c. show that the CoC can be implemented in a pragmatic and flexible way that fully respects the division of powers in each country and fulfils the subsidiarity and proportionality principles, without bringing additional administrative burden.

1.2 Methodology and sources of information

The ToR has guided the overall approach of the study. A detailed methodology was presented in an Inception Report and was agreed with the CoR. The study methodology has two pillars:

- an analysis of key Semester reports and other EU-level research documents, supplemented by a number of consultations with EU-level stakeholders.
- a series of case studies of different EU Member States allowing a more in-depth exploration of specific positive and negative experiences regarding the involvement of LRAs in, and their contribution to the Semester.

Taking into account the need for a balance between ‘large’ and ‘small’ countries and a good geographic cross-section, the following selection of countries was agreed with the CoR: Sweden, Portugal, Italy, Czech Republic, Romania, France.

The main sources of information for the case studies were desk work and semi-structured distance interviews with main actors, notably representatives of LRA associations and European Semester Officers (ESO) of the Commission and, where possible, government representatives.

1.3 Structure of this report

The main report comprises the present introduction (Chapter 1) and the following chapters:

- **Chapter 2** presents briefly the state of play regarding the role played by LRAs in the Semester and the case for a structured involvement of LRAs, underpinned by a Code of Conduct.
- **Chapter 3** presents six case studies focused on the current involvement of LRAs in the European Semester and contribution to CSR implementation and Europe 2020 targets, as well as the expectations regarding the Code of Conduct.
- **Chapter 4** examines the lessons from current practices regarding the role of LRAs in the process and content of the Semester, the relevance of such practices to the Code of Conduct, and issues of transferability.
- **Chapter 5** brings together the main conclusions of the study and considers appropriate types of action for learning and gaining from good practices, and helping the implementation of the Code of Conduct.

2 The European Semester and the role of LRAs

This chapter summarises the prevailing situation regarding the role played by LRAs in the European Semester.

It presents briefly the case for a structured involvement of LRAs in the Semester and for a Code of Conduct that will endow the European Semester with a territorial dimension.

It also outlines the structure and core content of the Code of Conduct as proposed by the CoR.

2.1 European Semester and LRAs: the state of play

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. Key Semester documents include the Annual Growth Survey (AGS), Country Reports (CR), National Reform Programmes (NRP) and Country-specific Recommendations (CSR).

The Semester affects policymaking by public authorities at EU, national, regional and local levels along an annual cycle. However, its performance has been in some respects problematic. Various analyses, by different EU institutions, reveal that the Semester does not live up to its promises, as shown by both the poor implementation record of the CSRs and a weak ownership at country level².

The European Committee of the Regions has argued that to help overcome these shortcomings and to successfully pursue the policy priorities of the European Semester, the local and regional authorities should be involved as partners throughout the annual cycle of the Semester. To this end, the CoR adopted on 11 May 2017 an own-initiative Opinion entitled “**Improving the governance of the European Semester: a Code of Conduct for the involvement of local and regional authorities**”.

² <http://cor.europa.eu/en/activities/opinions/pages/opinion-factsheet.aspx?OpinionNumber=CDR%205386/2016>

It is envisaged that the structure and core provisions of the Code of Conduct should ensure that, on the one hand, the Semester builds on sound territorial analyses that will allow a clearer focus on major issues for each government level and, on the other hand, the partnership principle is implemented across all levels of government in the European Semester.

The introduction of such a Code of Conduct needs to tackle some practical challenges, as outlined below.

First, although the European Parliament has endorsed the position of the CoR and there have been encouraging statements from the direction of the European Commission and the Council of the European Union, both the Commission and the Council have so far refrained from formally acknowledging a territorial dimension in the Semester or from taking any steps for the introduction of a structured involvement of the LRAs in the design and implementation of the NRPs.

Second, country-level practices regarding the involvement of LRAs in the Semester process vary widely, reflecting the great diversity that exists throughout the EU in terms of constitutional arrangements and sub-national level powers and resources.

The present study is conducted in the context of the latter point. It seeks to identify and examine current practices – both those that may be considered as ‘good’ or ‘bad’ practices, as far as the involvement of the LRAs is concerned – with a view to informing the implementation of the proposed Code of Conduct.

The study examines current practices at country level, i.e. practices dependent on governments, the Commission’s European Semester officers, and LRAs and their associations. It also draws lessons from these practices and considers how they can inform the implementation of the proposed Code of Conduct. However, it is recognised that a large part of the elements of the proposed CoC are in the realm of the EU institutions and need to be addressed at EU rather than at country level, and as such they are outside the scope of this study.

2.2 The case for a structured involvement of LRAs in the European Semester and a Code of Conduct

The European Semester is the annual cycle of the economic and budgetary policy coordination and also serves to implement the Europe 2020 strategy. It starts in November and operates at EU and country level. Some of its elements apply only to the Eurozone countries.

The Semester is a relatively new process which is still evolving³ in response to a number of challenges: its very broad policy coverage and difficulty in building strong links to the Europe 2020 strategy; the limited extent to which the Country-specific Recommendations are implemented; and the weak ownership and engagement in the process at national and sub-national level, including the sub-optimal engagement of LRAs. There have been seven ‘editions’ so far and the current edition, known as ‘the 2017 European Semester’, is nearing completion.

From the perspective of the LRAs the main concerns fall into three groups⁴:

- First, the Semester process is ‘spatially blind’ while there are major territorial disparities in terms of needs and policy performance and a wealth of readily available EU analyses that can be used.
- Second, key Semester documents such as the NRPs and CSRs very often fail to recognise that many of the policy measures envisaged concern territory-related issues and tend to depend on the active involvement of LRAs to succeed.
- Third, the consultation arrangements in place are vague and generally inadequate, and compare unfavourably with the well-established arrangements under other policy areas, such as the EU Cohesion policy where they have a formal regulatory backing and define clearly a role for the LRAs as partners.

Although recently revamped and streamlined, the European Semester is still challenged by the low implementation rates of the CSRs, which undermine its effectiveness. In a comprehensive assessment of the implementation rate, based

³ A change introduced by the Commission in 2017 and hailed as a significant improvement by Belgium (Flanders) was that “for the first time the federal government and the governments of the regions and communities could comment on the draft Country Report. Several amendments were included by the services of the COM in the definitive Country Report for Belgium” - Study consultations (BE).

⁴ CoR, A Code of Conduct on the involvement of LRA in the European Semester, 2015.

on a multi-annual assessment of 2011-2016 CSRs by the Commission, only 9% had achieved full implementation and 15% ‘substantial progress’⁵.

From an LRA perspective the CoR has expressed strong concerns that the LRAs and organisations representing them with their national governments, are not a mere stakeholder among others but a crucial institutional player in the policymaking process in the light of the actual division of powers and competencies specific to each Member State.

The CoR has also stressed that 76% of all 2017 CSRs are territory-related⁶ as they point to regionally differentiated challenges and their implementation relies on sub-national levels of government. This points out that a very large proportion of CSRs cannot be fully implemented without the active role of the local and regional authorities, which are responsible for over 50% of public investment and are partly responsible for the implementation of the EU policies and investment agenda.

The CoR has further emphasised that the LRAs are the government level closest to the citizens. The LRAs’ knowledge of the territorial opportunities and challenges and their ability to dialogue with citizens, businesses, social partners and civil society is vital in an era of mounting scepticism towards public institutions and representative democracy at EU and country level.

Therefore, the CoR recommended that a Code of Conduct should be adopted to give the European Semester a territorial dimension by both embodying territorial analyses in its key documents and ensuring a structured and ongoing involvement of the local and regional authorities in its planning and implementation.

2.3 Basic structure and core content of the proposed Code of Conduct

Regarding the structure and content of the Code of Conduct, the CoR proposed that it should be in two sections, as outlined below. The CoR also recommended that the Code should be developed in partnership between the relevant EU institutions, ensuring that there is full scope for its country-level provisions to

⁵ European Commission Communication ‘2017 European Semester: Country-specific recommendations’ COM(2017) 500 final p. 6.

⁶ This is a significant increase in comparison to 2015 and 2016, when the corresponding figure was about half of all recommendations (CoR, Territorial Analysis of the Country-specific Recommendations, 2017 European Semester, June 2017).

be adapted to the specific national and sub-national contexts in accordance with the principle of subsidiarity.

The proposed Section 1 of the Code on ‘Building the European Semester on a sound territorial analysis’ envisages, *inter alia*, that 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;
- 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.

Section 2 on ‘Implementing the partnership principle across levels of government in the European Semester’ includes elements that should be put into effect mainly at country level, including the following recommendations:

- Each Member State should 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 should 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, equivalent to the European code of conduct on partnership adopted in the context of the EU Cohesion policy.
- The standing arrangements mentioned above should 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.
- Such arrangements should also include provisions concerning the involvement of the local and regional authorities in the implementation of the relevant policy measures of the NRPs and the CSRs.
- The representative organisations of local and regional authorities identified as interlocutors for the implementation of the Code of Conduct, should 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 should take part in a structured dialogue with the European Commission, equivalent to the ‘structured dialogue’ between ESIF Partners⁷.

⁷ Based on art. 5(6) of Regulation (EU) No 1303/2013 (Common Provisions Regulation).

3 Case studies

This chapter presents six case studies on Sweden, Portugal, Italy, Czech Republic, Romania and France. Each case study covers:

- The current involvement of LRAs in the European Semester process.
- The role of the LRAs in the implementation of the Country-specific Recommendations and towards achieving the Europe 2020 strategy targets.
- Expectations regarding the introduction of a Code of Conduct on the involvement of LRAs in the European Semester, based on a comparison of the state of play with the key elements of the proposed Code of Conduct.

3.1 Sweden

3.1.1 Current involvement of LRAs in the European Semester

The involvement of the LRAs in the Semester process in Sweden incorporates various strands of consultative activities and it has already been noted that the LRAs are the actual initiators of some of these activities, such as the one known as ‘the annual conference’. This goes back to 2010 and started as an add-on to an annual conference in Northern Sweden, subsequently covering the whole country and held in different locations. In recent years the conferences are co-organised by the Swedish Association of Local Authorities and Regions (SALAR), the Government Offices and the Commission’s Representation in Stockholm, and are focused on particular themes of the implementation of the Europe 2020 strategy in Sweden.

The most recent conference was held in the autumn of 2016 and was directed at elected representatives and civil servants at the local and regional levels, focused on labour market establishment of recent arrivals as an important aspect of attaining the Europe 2020 strategy’s headline targets of employment and poverty/social exclusion. This type of event heightens the sense of participation among all actors in the implementation of the Europe 2020 strategy and contributes to target attainment.

There are other consultations constituting a whole system based on ‘the Swedish Model’⁸ and involving the Government and the social partners (employers’ and workers’ organisations). These consultations follow the Semester cycle, and are normally held in October on the AGS, February on the CR, March/April on the NRP, and May/June on the CSRs⁹. There is also a special consultation meeting ahead of every Council meeting. This is a “jointly agreed and institutionalised process of consultation throughout the Semester, with a substantial contribution from social partners to SE NRP over several years”¹⁰.

Since 2013 these consultative arrangements are underpinned by a written agreement¹¹ between the social partners and the Government on how this consultation process should be; its scope, format and timing. SALAR (which is one of the social partners and signatory to the agreement, see below) is very satisfied with the way it works as it means that the LRA involvement is not just a formality but it works on the basis ‘to hear and be heard’. This agreement is due to be revised and updated shortly, for the next Semester cycle, to take account of the experience gained since its introduction and align it with the Government’s ambition to strengthen participation of social partners and other stakeholders in EU-related affairs¹².

Also, the interaction between SALAR and the Commission’s ESOs is considered to be “very good and ongoing” and it is not restricted to key events like the annual conference and the fact-finding country missions. They participate jointly in various events, take part in panel discussions (the most recent at the time of writing on 19.06.2017 on the 2017 CSRs), and hold regular meetings on CR, CSRs, etc. SALAR also provides written inputs directly to the Commission, for instance, on the Country Report.

3.1.2 LRA involvement in the implementation of CSRs and towards Europe 2020 targets

Notwithstanding the deep and on-going involvement of the LRAs in the Semester process, a territorial dimension is not particularly pronounced in the Semester documents. Similarly, the role of the LRAs is not fully recognised. SALAR is consulted by the Commission, including during the fact-finding

⁸ CoR, A Code of Conduct on the involvement of LRA in the European Semester, 2015.

⁹ Study consultations with SE Prime Minister’s Office and SALAR.

¹⁰ Malin Looberger, SALAR, The Swedish social partners involvement in policy design, reforms and implementation.

¹¹ A machine translation of this agreement is included in Annex II.

¹² Study consultations with Prime Minister’s Office.

country missions. Even so in the CR the Commission focuses on issues and measures taken by the national government. An example is the field of education where LRAs are working with many measures but this is not acknowledged by the Commission in the Country Report¹³. This emphasis on policy measures at national government level is also reflected in the orientation of the CSRs: the CoR Territorial Analysis of the CSRs (2017) has identified only a few territory-related CSRs of direct relevance to LRAs.

By contrast, the role of LRAs in the implementation of the Europe 2020 strategy is fully recognised as evidenced in the inclusion of a large number of LRA projects in a separate appendix of the NRP (as well as in the above mentioned partners' agreement). Sweden's municipalities, county councils and regions are contributing to target attainment in their ordinary work and via core activities in a variety of ways. In addition, numerous projects and initiatives are in progress at local and regional level with the aim of attaining the Europe 2020 targets for smart, sustainable and inclusive growth. A selection of the projects¹⁴ presented with the 2017 NRP is included in the following table.

Table 1: Regional and local examples of projects contributing to attaining Sweden's national targets (2017 NRP)

Project	Partners
<i>Employment, social inclusion and reduction of poverty</i>	
Human Resources and Inclusion Skills – HRIS	The county of Blekinge with the municipalities of Sölvesborg, Karlshamn, Olofström and Karlskrona
New approaches to getting recent arrivals in work sooner – IBIS	The municipalities and county councils of Sörmland and the Public Employment Service
Integration in the workplace – IW	The region of Gotland in cooperation with the Public Employment Service
Integration in Western Sweden - InVäst	55 municipalities of Western Sweden (Regions Västra Götaland and Halland) with the Göteborg Region as project owner
The Economic Outlook Package	Gislaved Municipality in partnership with a number of actors
A Healthy Workplace	City of Göteborg
<i>Preventing drop-out from upper secondary school and initiatives for youth who are not in education or employment</i>	
Plug In 2.0	SALAR with several partners
TRIA – Investing in youth who are not in education or employment	The Municipality of Kramfors

¹³ Study consultations with SALAR.

¹⁴ The 24 projects presented in the NRP “should be seen as a small selection of the many good examples of successful efforts in various parts of the country. The selection this year focuses on projects that are addressing some of the challenges that the Commission draws attention to in its country report for Sweden”. (SE-NRP2017 p.58).

Project	Partners
#jagmed – Young people to education and employment	All counties in East Central Sweden
<i>Climate change and sustainable energy supply</i>	
The solar energy of the future	The counties of Uppsala, Södermanland, Västernorrland, Örebro and Östergötland.
The Low-Carbon Place	The Municipality of Umeå in partnership with Umeå University
Smart Green Region Mid Scandinavia	The municipalities of Sundsvall, Östersund and Trondheim
<i>Transport and infrastructure</i>	
Mid Nordic Corridor	The municipalities of Åre, Krokom, Östersund, Bräcke, Ånge and Sundsvall, Västernorrland County Council, Region Jämtland Härjedalen, etc.
<i>Research and development</i>	
Technology Education of the Future	The Municipality of Hässleholm with several partners
Academy for Smart Specialisation in Region Värmland	The Region Värmland with Karlstad University

The specific examples outlined below highlight the significance of LRA involvement in the implementation of CSRs and towards Europe 2020 targets.

Investment in housing

The housing situation in Sweden has attracted considerable attention in the Semester documents. CSR 1 (2017) has again called Sweden to “... Foster investment in housing and improve the efficiency of the housing market, ...”. The 2017 CR (p. 10) has found “some progress on fostering investment in housing and improving the efficiency of the housing market” against a similar CSR in 2016, but the issue remains high on the agenda and largely unresolved.

The LRAs have a huge role in Sweden from planning to construction (directly and through commercial builders). Therefore, they are one of the key factors in the success of any such policy¹⁵. However, the 2016 Country Report has revealed that municipalities do not have sufficient (financial) incentives to support construction activities. Their tax revenues increase, only moderately and in the mid-term, if at all. The existing municipal equalisation scheme is expected to reduce long-term gains from additional population growth. (SE-CR2016, section 4.2)

¹⁵ Study consultations with Prime Minister’s Office.

‘Fast Track’ refugee integration¹⁶

In response to recent migration inflows, Sweden has taken considerable action to improve its practices in the integration of refugees.

The initiative is a particularly promising example of how to help newly arrived immigrants, including refugees, enter the labour market faster and use their skills. It has been developed and is being implemented through a strong partnership and multilevel governance approach involving government agencies, LRAs and social partners. The partners have set up a streamlined integration package that allows newly arrived immigrants to quickly take up occupations in several sectors with labour shortages.

The package is available for newly arrived immigrants who have been or are taking part in the Introduction Programme, or who have received a residence permit in the last three years. A participant gets the introduction benefit or an activity grant. The Fast Track initiative combines elements of skill assessment with customised bridging programmes that include vocational language training. On completing the scheme, participants receive an occupational certificate or credential. In December 2016, more than 2,800 people had started 20 professions across 13 sectors. (SE-CR2017 p. 36)

The multiple benefits of this policy initiative have been highlighted in both the CR (2017) and NRP (2017), which has identified it as contributing to the attainment of Europe 2020 target in the field of employment.

The Low-Carbon Place¹⁷

Umeå is to become a place with the lowest possible carbon emissions. In the *Low-Carbon Place* project, the Municipality of Umeå and Umeå University in partnership with several other partners will determine the climate impact of Umeå residents and develop methods and tools for reducing carbon emissions. The aim is to make it possible to plan and develop the city in a better way with the lowest possible carbon emissions by changing consumption, travel and housing patterns. A further contribution to this aim is expected from spreading the knowledge about sustainable consumption and sustainable lifestyles, and producing better statistics and other inputs in connection with the climate impact of travel, housing and consumption. The project is funded by the ERDF over a three year period.

¹⁶ CoR, Obstacles to investment at local and regional level, 2016 (Section 6.4).

¹⁷ This project is one of the projects presented in the 2017 NRP as examples of LRA contribution towards the Europe 2020 targets.

The project has three main parts: *Decision support*, where new survey methods concerning travel, housing and consumption will be developed to obtain a better picture of Umeå’s climate impact and thus a sounder basis for low-carbon social planning. *Gathering and spreading expertise* where leading experts from academia, business and the public sector are attached to the project and information and knowledge are spread. Through *testing and development methods to facilitate sustainable choices* based on the results of the *Decision support* and *Gathering and spreading expertise* components, the conditions for low-carbon living and travel in Umeå will be created. The actual results of the effort to achieve a sustainable city and reduced climate impact will be created by the habits and actions of its residents.

This project has been highlighted in the NRP (2017) under the rubric of the Europe 2020 strategy regarding ‘Climate change and sustainable energy supply’.

3.1.3 Expectations regarding the introduction of a Code of Conduct

Table 2: State of play snapshot – Sweden

1. Standing partnership arrangements regarding LRA involvement	Yes, LRAs participate in formal and informal arrangements
2. LRAs participate in consultations with COM	Yes
3. LRAs have role in reviewing CR	Yes
4. LRAs have role in preparation of NRP	Yes
5. LRAs have role in responding to CSRs	Yes
6. Definition of regional disparities and territorial issues in CR, NRP, CSRs	Yes but limited
7. Evidence of significant LRA contribution to CSR implementation & EU2020 targets	Yes, across-the-board of EU2020 targets
8. Evidence of significant non-involvement / missing contribution to CSR implementation, reform policies & EU2020 targets	Yes some, e.g. in housing investment

There is a history of close involvement of social partners in the national implementation of EU growth and employment policies in Sweden and social partner involvement in the Semester is a political priority. With the Europe 2020 strategy, a more institutionalised framework for dialogue was jointly agreed. LRAs are treated as a full partner and have many opportunities to contribute throughout the Semester cycle. These arrangements are well established and considered sufficient and may obviate the need for the introduction of a Code of Conduct.

In conclusion:

- The existing Semester coordination and consultation arrangements are fully developed and practically all the essential elements of the proposed CoC are in place.
- Some improvements are still justified, e.g. a fuller territorial dimension in the NRP and a clearer recognition of the role of the LRAs in the CR and CSRs.

3.2 Portugal

3.2.1 Current involvement of LRAs in the European Semester

Portugal is a relative ‘newcomer’ to the European Semester process. In 2014, Portugal exited its three-year economic adjustment programme which included the implementation of an ambitious reform agenda and contributed to regaining economic growth and restoring investor confidence. Its first NRP was in 2015. The country is now in its third NRP and the process is already becoming fairly well established.

Since 2016 the process in Portugal has changed significantly with the government following a more inclusive approach to the NRP. The NRP 2016 was opened to discussion with a broad range of stakeholders “in order to enrich and improve it, but also by giving it a sense of ownership that should preside over options that are long-lasting and as consensual and shared as possible”¹⁸. A balance sheet of six months of execution was published in November 2016 and consultations continued in preparation for NRP 2017 with a series of six ‘decentralised debates’ organised in different parts of the country in March and early April 2017, each corresponding with one of the pillars of the NRP (e.g. on urban rehabilitation and sustainable mobility in Sintra and on child poverty in Minho).

This open and inclusive approach is against a background of a centralist tradition where stakeholders are not normally consulted, in the sense of their views being sought and taken into account, but they are merely informed and their views are not taken on board. For this reason, the social partners have complained in the past but the situation has been changing rather fast¹⁹.

¹⁸ PT-NRP2017, section 6.

¹⁹ Study consultations with ESOs.

There is no evidence of LRAs taking an active part in these open consultations and their level of awareness regarding the European Semester is fairly low by comparison with the ESIF²⁰. However, there is a formal forum in which their representatives sit, the Territorial Coordination Council²¹. It is chaired by the Prime Minister and its membership includes representatives of the National Association of Portuguese Municipalities (ANMP²²), representatives of the Autonomous Regions of the Azores and the Presidents of the Metropolitan areas of Lisbon and Porto. A meeting of the Territorial Coordination Council that took place in April 2017 was dedicated to the presentation and discussion of the NRP 2017. The ANMP had submitted a written contribution to the Government on the NRP 2016 but not on its revision in 2017.

The LRAs have additional opportunities to be involved through the five Regional Coordination and Development Commissions (CCDR²³), which also play a role in the preparation and implementation of the NRP. There is currently a major political debate about “increasing democracy in the CCDRs” (with a greater involvement of the municipalities) and transferring competencies and resources to the LRAs²⁴.

The ESOs of the Commission do not organise any activities focused exclusively or primarily on the LRAs. The meetings organised by them, e.g. as part of the fact finding missions, are targeted on government ministries, social partners, universities, *et al.* This largely reflects the fact that in Portugal, early on, the European Semester was “focused on aggregate figures and not on sub-national territorial differentiation”. However, it is increasingly recognised that “the Semester is about the quality of public expenditure” and therefore connects with local authorities²⁵. Such a link will become stronger if/when the proposed transfer of competencies/resources takes place.

3.2.2 LRA involvement in the implementation of CSRs and towards the Europe 2020 targets

A territorial dimension is largely lacking in the Semester documents. The absence of territorial analyses is out of step with the fact that there are both significant regional disparities and a significant geographical differentiation

²⁰ Study consultations with ESOs and ANMP spell.

²¹ A political body established by Resolution of the Council of Ministers to promote consultation and consultation between the Government and the different infra-state political entities at the regional level and local.

²² Associação Nacional de Municípios Portugueses.

²³ Comissões de Coordenação e Desenvolvimento Regional (CCDR) operate in continental Portugal, while the two autonomous regions (Madeira and Azores) elect their own regional government and regional assembly.

²⁴ Study consultations with ESOs.

²⁵ *Ibid.*

(between autonomous island regions and the continental part of the country). However, there are several policy areas where the role of LRAs is acknowledged, especially in the implementation of the NRP, including those related to the Europe 2020 targets. Moreover, the CoR Territorial Analysis of the CSRs (2017) has identified a large group of territory-related CSRs of direct relevance to LRAs.

The activity of LRAs is cross-cutting and their contribution is significant in the pursuit of the Europe 2020 objectives in all areas. The areas in which they have most invested are those of education, social inclusion and climate / energy goals, but “in a time of constraints on the available financial resources, the scarcity of these resources prevents a greater contribution of local authorities to the pursuit of the objectives of the Europe 2020 strategy”²⁶.

However, the study consultations have also revealed a prevailing perception that the LRAs have a secondary role in the Semester as policy ‘implementers’, once the required legislative measures have been taken at national level. Such legislative measures are the focus of the MS/EU interaction and this is reflected as such in the Semester documents²⁷.

For instance, 2017 CSR 4 refers to “...regulatory barriers in construction and business services ...” and the 2017 CR notes that there are big variations in the country and high costs to investors, not commensurate to services offered. This CSR is of course relevant to LRAs, especially regarding construction permits since they are issued by local authorities. However, the focus of the CR and CSRs is on the national level as any new regulation required will have to come from the Government. Similarly, public procurement “is something that is decided by Parliament, but has indirect implications for LRAs”²⁸.

Two other specific examples highlighting the significance of LRA involvement in the implementation of CSRs and towards Europe 2020 targets are outlined below.

Socially inclusive education: combating school failure in Portugal

Over the past few years, Portugal has set up several successful initiatives to tackle education inequalities, reduce school failure and raise the average level of basic skills of the population. These initiatives have been of direct relevance to the Europe 2020 targets in the field of education, particularly the reduction of early school leaving.

²⁶ Study consultations with ANMP.

²⁷ Study consultations with ESOs.

²⁸ *Ibid.*

The new National Programme for the Promotion of School Success launched in March 2016 was designed to reinforce schools' autonomy and expand it to encompass pedagogic programmes with a focus on teaching and learning issues. The national plan covers local plans drawn-up and implemented by schools. It prioritises prevention with 37% of its measures targeting the first stage of basic education (from the first to the fourth year of primary school) and 35% of those targeting the first year of primary education. Phase 1 of implementation (April 2016) involved the training of 160 local trainers working in schools. Phase 2 enabled these trainers to support 2,811 head teachers and teachers in developing local plans to tackle school failure, in cooperation with municipal authorities. In phase 3, which got under way in September 2016, the local plans will be implemented with the full-time support of 1,294 teachers and involvement of 35,000 teachers nationwide. (PT- CR2017 p. 54).

The National Programme has a strong participation of municipalities in its implementation and execution. The participation of local authorities in the field of inclusive education has proved to be fundamental to the success of the actions undertaken in this field, including the transport of pupils with special educational needs and the provision of staff and material to support children²⁹.

Public private partnerships (PPP)

PPPs have been a prominent issue in the European Semester documents for Portugal. CSR 5 (2016) included a recommendation to “Increase transparency and efficiency in public procurement as regards public private partnerships and concessions”.

This is against a background of several years of ongoing reforms. As mentioned in CR 2016, “...a revised framework for public private partnerships (PPPs) entered into force on 1 June 2012. The government has renegotiated several road PPPs. [...]. As regards water concessions at local level³⁰ and railway PPPs, the Court of Auditors expressed a negative opinion of the way the state had managed the contracts. Existing legislation does not empower UTAP (*Unidade Técnica de Acompanhamento de Projetos*), the Ministry of Finance's taskforce for PPPs, to cover concessions, regional and local PPPs [...] The authorities are aware of these loopholes and agree there is a need to find a solution. However, no concrete suggestions or timeline has yet been proposed.” Transparency issues on PPPs particularly at local and regional level, have remained at the forefront. The CR 2016 points out that “...PPP in the water sector, for instance,

²⁹ Study consultations with ANMP and ESOs.

³⁰ In the study consultations, the ANMP indicated that “in the water sector the contracted partnerships were between public sector entities (Municipalities and Central Administration), being configured as Public-Public Partnerships. In this sense, this model cannot be considered as an example of problematic performance”.

and at regional and local level, are thus excluded and remain unsupervised despite significant fiscal risks. Authorities are aware of these loopholes and concur with the need to find a solution, but no concrete timeline has yet been put forward.”³¹

The 2017 CR has found that “Portugal has made some progress in addressing CSR 5”. However, the image of PPPs has not yet recovered. At national level they are mainly road projects and there is a central institution (UTAP) and the system works well, but many PPPs in the water and sewers sector are not covered by the national scheme. The government passed legislation asking the LRAs to report but there is scarcely any information of such reports. The success of this reform thus greatly depends on the LRAs and has not yet been achieved³².

3.2.3 Expectations regarding the introduction of a Code of Conduct

Table 3: State of play snapshot – Portugal

1. Standing partnership arrangements regarding LRA involvement	LRAs participate in formal arrangements (Territorial Coordination Council) and have opportunities to participate in informal ones (e.g. decentralised debates)
2. LRAs participate in consultations with COM	No
3. LRAs have role in reviewing CR	No
4. LRAs have role in preparation of NRP	Yes
5. LRAs have role in responding to CSRs	No
6. Definition of regional disparities and territorial issues in CR, NRP, CSRs	No
7. Evidence of significant LRA contribution to CSR implementation & EU2020 targets	Yes, regarding EU2020 targets, but limited contribution to CSRs
8. Evidence of significant non-involvement / missing contribution to CSR implementation, reform policies & EU2020 targets	Yes, largely due to LRAs being treated as ‘implementers’ of national policies without sufficient agreement and resources

The Semester process in Portugal is becoming more inclusive and affords more opportunities for genuine engagement to the LRAs. The main driving force is the Government and the whole shift is accompanied by proposals for significant transfers of powers and resources to the sub-national level. The overall trend is that the Semester process is moving closer to what is envisaged in the proposed

³¹ PT_CR2016 p.68.

³² Study consultations with ESOs.

Code of Conduct. However, the current level of involvement is rather low and the awareness and capacity of the LRAs are limiting factors.

In conclusion:

- Some elements corresponding to the CoC are partially and/or informally in place, notably the consultations on the NRP.
- Several other elements are lacking but it would be feasible to establish within two years in view of this accelerating trend and the timeline of the reforms which should happen by the end of the current parliament (2019). Key steps for achieving a deeper LRA involvement in NRP preparation and implementation need to ensure that LRA resources are commensurate to powers in key policy fields and the capacity of the LRA representative structures is sufficient for contributing in a substantive way.
- A degree of customisation could be justified. For instance, the autonomous regions could prepare regional reform programmes that could even form an annex to the NRP.

3.3 Italy

3.3.1 Current involvement of LRAs in the European Semester

The regions and autonomous provinces play a key role in implementing structural reforms to promote Italy's growth and development. Consultations as well as a collection of contributions relating to the implementation of reforms at regional and local level have played an important role in the drawing up the National Reform Programme.

All regions and autonomous provinces³³ have compiled a progress report on the implementation of the reforms adopted to respond to the Country-specific Recommendations, and taking stock of progress towards the Europe 2020 targets. Based on these contributions, the technical support structure (the Regional Working Group for the National Reform Programme, known as *Re.Te.PNR*), has prepared the regions' report. The drawing up of this report involves a series of work stages, including analysis and study of the annual CSRs and awareness raising of Semester stakeholders (including through the setting up of thematic workshops, e.g. on economic governance).

³³ There are no other formalised processes to involve other sub-national levels in the NRP process (Study consultations with ESO).

The regions have in their turn set up internal coordination activities, organised according to specific working practices³⁴ and have the backing of a research and study body working for the Conference of Regions and Autonomous Provinces, called *CINSEDO*³⁵. In the past the regions' contribution was annexed to the NRP. Their attempts to have them integrated into the main NRP document did not achieve results since they had to be approved by the Minister of Economic Affairs and this was raising ownership issues. Hence, the regions decided to have the freedom to express their own views³⁶.

Therefore, the NRP in the current cycle (2017) and in some previous years includes links to the 'Position of the Regions' and to a 'Summary of regional best practices' which are published on the website of the Conference of Regions and Autonomous Provinces³⁷.

However, the regions have raised a number of issues concerning their involvement in the Semester process, notably:

- Their requests and instances are insufficiently reflected in the NRP.
- Their presence is largely missing in the first part of the Semester, for instance, they do not participate in the fact-finding missions of the Commission and in the discussions with the Commission.
- The overall preparation of the NRP is 'below par' by comparison with normal state/regions consultative arrangements for other policy areas³⁸.
- There is a new and broad debate that has been opened by some regions about strengthening the link between political cohesion and the European Semester and the future role of Cohesion policy³⁹.

³⁴ IT-NRP2017 section V.

³⁵ <http://www.regioni.it/cinsedo/>

³⁶ Study consultations with Conference of Italian Regions (*Conferenza delle Regioni*).

³⁷ <http://www.regioni.it/ue-esteri/2017/04/07/def-2017-e-pnr-2017-il-testo-del-documento-di-economia-e-finanza-il-documento-delle-regioni-sul-programma-nazionale-di-riforma-e-i-precedenti-del-2015-2016-509300/>

³⁸ CoR, A Code of Conduct on the involvement of LRA in the European Semester, 2015 (pp 26-27).

³⁹ More Ambitious Cohesion Policy for the Post 2020 Period, Open contribution from the President of the Tuscany Region, Enrico Rossi, on the Post 2020 period.

Country Report Italy 2015 - Regional Disparities

The opening point of this chapter is that the crisis has exacerbated the long-standing socio-economic divide between the north-centre and the Mezzogiorno.

The analysis of the chapter includes:

- gap in GDP per capita
- labour productivity
- employment rates
- wage development
- women and young people, the most disadvantaged
- quality of governance

3.3.2 LRA involvement in the implementation of CSRs and towards the Europe 2020 targets

A territorial dimension is prominent in some of the Semester documents. The 2015 Country Report on Italy⁴⁰ offered a benchmark in its systematic treatment of territorial disparities by including a ‘special topic’ chapter on Regional Disparities – see box below.

Similarly, in the 2016 NRP there is a clear recognition of territorial disparities including policies for reducing regional imbalances (*policies for the Mezzogiorno*, p.9). The government has also taken action to create 16 *Pacts for the South*, one for each of eight regions and one for each of the eight metropolitan cities. The objective is to define individually the priority projects, the actions to be undertaken to implement them, the obstacles to be removed, the timing and the reciprocal responsibilities. Each pact includes *inter alia* the vision that the region or the city has about its future and that is endorsed by the government. (IT-NRP2016 p.109).

Moreover, the 2016 NRP makes extensive use of regional level data, for instance, in connection with the Europe 2020 policy areas, on employment, early school leavers, households at risk of poverty or exclusion, etc. (pp111-122).

Regarding the role of the regions, the position of the Italian regions is that “all Regions and Autonomous Provinces have made their own contribution to the implementation of the reforms at regional level on the themes covered by the European Commission's Specific Recommendations and on the implementation

⁴⁰ Country Report Italy 2015, Commission Staff Working Document SWD(2015) 31 final/2.

of the objectives of the Europe 2020 Strategy⁴¹. The latter point is reflected in the extensive list of some 35 examples of regional projects contributing towards the targets of Europe 2020, a selection of which is in the following table.

Table 4: 2017 NRP Italy – Selected Projects from ‘Summary of Best Practices’⁴²

Project	Partners
<i>Sustainable Development</i>	
Encourage policies for sustainable tourism that create jobs and promote local culture and local products	Abruzzo Region
Strategic Development and promotion of the regional mobility objective through Bicycle / Train Intermodality	Abruzzo Region in collaboration with Trenitalia spa, railway branch of TUA S.p.A. And R.F.I
Implementation of voluntary activities for migrant asylum seekers hosted in temporary reception structures in the Basilicata Region	Basilicata Region and the Municipality of Potenza
<i>Value Added Territorial Cohesion</i>	
Active network for work	Emilia-Romagna Region coordinated by the Regional Labour Agency
<i>Value Added Territorial Cohesion and Sustainable Development</i>	
The continuation of EUREKA intervention	Marche Region
Giovanisì	Toscana Region
AGENDA URBANA	Umbria Region with the cities of Perugia, Terni, Foligno, Città di Castello and Spoleto
Local Authorities Urban Sustainable Mobility Plans (PUMS)	Emilia-Romagna Region (11 Municipalities and the Metropolitan City of Bologna)
<i>Innovation</i>	
Dataware House	Lazio Region
Collaborative work (co-working)	Lazio Region
Future University Portal	Lazio Region with several universities
Employment – personnel empowerment	Sardegna
<i>Innovation and Value Added Territorial Cohesion</i>	
Target 2 (cooperation between actors in research and innovation)	Sicilia

Individual regions have also been contributing through their own strategies, as in the case of Regione Toscana⁴³. As regards CSRs, the CoR Territorial Analysis of the CSRs (2017) has identified a sizeable group of territory-related CSRs which are of direct relevance to the LRAs.

⁴¹ [http://www.regioni.it/cms/file/Image/upload/2017/PNR/xDOC.CR.P.4bis_B\)%20PNR2017.pdf](http://www.regioni.it/cms/file/Image/upload/2017/PNR/xDOC.CR.P.4bis_B)%20PNR2017.pdf)

⁴² http://www.regioni.it/cms/file/Image/upload/2017/PNR/03_REGIONI_PNR_2017_Best-Practices_06042017.pdf

⁴³ <http://www.toscana-notizie.it/documents/735693/11541788/Toscana+2020+-+S24O+-+1.pdf/5cfccc78-ce3e-4c55-999d-df14118f2c16>

However, the LRAs argue that they could be playing a fuller role, as in the case of an active employment policy, where the Government failed to engage them and after a delay of several years had at the end to create a new agency⁴⁴.

A specific example highlighting the significance of LRA involvement in the implementation of CSRs is outlined below.

Local public services

In Italy, traditionally public services are provided at local level by organisations of various legal forms, which are owned/controlled to a larger or lesser degree by the municipalities.

The Commission's Country Report 2016 states: "...Italy shows the widest variation across EU regions in terms of quality and impartiality of public services. [...] This represents an additional challenge for Italy: to improve the overall level of efficiency of its national public administration and simultaneously reduce the variation between regions. [...] Nearly 8,000 local state-owned enterprises in Italy weigh on the efficiency of the economy and public finances". CSR 2 (2016) recommends to "Implement the reform of the public administration by adopting and implementing all necessary legislative decrees, in particular those reforming publicly-owned enterprises, local public services and the management of human resources".

LRAs use a broad range of institutional forms to deliver the public utility and social services distinguishing between 'services of economic interest' (usually using a legal body form operating under private law) and 'services of no economic interest' (using institutions or special undertakings).

The local public enterprises are an important political factor since they are a big local employer and often enjoy local monopolies. They are subject to institutionalised public control through the local mayor who enjoys extensive rights over them, and thus can be subject to undue political influence. Any reform attempts need to take this into account, otherwise their results will be negligible and short lived.

In the framework of EU Cohesion policy and the requirement to comply with *ex-ante* conditionalities a joint EU/MS working group was set up with LRA participation and put into effect an action plan for addressing *inter alia* problems of: administrative capacity and rationalisation of contracting; major barriers to competition; system of controls related to the efficiency of procedures and corruption⁴⁵.

⁴⁴ Study consultations with Conference of Italian Regions.

⁴⁵ CoR, Obstacles to investment at local and regional level, 2016 (Section 6.1).

3.3.3 Expectations regarding the introduction of a Code of Conduct

Table 5: State of play snapshot – Italy

1. Standing partnership arrangements regarding LRA involvement	Yes, LRAs participate in formal consultative arrangements
2. LRAs participate in consultations with COM	No
3. LRAs have role in reviewing CR	Yes, according to the ‘position of the regions’
4. LRAs have role in preparation of NRP	Yes, according to the ‘position of the regions’
5. LRAs have role in responding to CSRs	Yes, according to the ‘position of the regions’
6. Definition of regional disparities and territorial issues in CR, NRP, CSRs	Yes, e.g. in CR 2015 and in NRPs
7. Evidence of significant LRA contribution to CSR implementation & EU2020 targets	Yes, across-the-board of EU2020 targets, less so regarding CSRs
8. Evidence of significant non-involvement / missing contribution to CSR implementation, reform policies & EU2020 targets	Yes some, e.g. in active employment policy

The situation regarding the operation of the European Semester in Italy has been stable for some time, with the representatives of the regions active in most stages of the Semester process. The LRAs have a say and play an important role in implementation, especially towards the Europe 2020 targets. They see themselves as indispensable partners and have views regarding potential improvements in the process, and on the link between the Semester and the future of Cohesion policy.

In conclusion:

- Many elements corresponding to the CoC are in place through formal arrangements regarding government/LRA consultations and the sub-national level is having an active role in a range of policy fields.
- A few elements are lacking but it should be possible to establish them easily, such as involving the LRAs in the fact finding missions of the Commission, while other aspects will probably need a longer timeline and a degree of political consensus between EU, Member States and regional level such as the link between Cohesion policy and Semester (and are largely outside the scope of the proposed CoC).

3.4 Czech Republic

3.4.1 Current involvement of LRAs in the European Semester

The European Semester process in the Czech Republic is well established⁴⁶ and for some time now falls into two well defined parts: first, a formal tripartite process with meetings between the government and the social partners (but not LRA representatives); and, second, a less formal and more flexible part involving a series of NRP *roundtables* every year.

Stakeholders are involved in the European Semester primarily via the NRP roundtables, debates organised by the Office of the Government (EU Affairs Department). The objective is to provide an inclusive consultation platform to prepare the National Reform Programme (typically in February-April) and to review the state of the NRP and CSR implementation (in October). The NRP roundtables include representatives of the ministries, Parliament (EU committees), associations of regions and municipalities, social partners, academia, NGOs. A total of 6-7 roundtables are organised every year, some coinciding with visits by EU Commissioners and fact-finding missions by Commission officials.

The two organisations representing the LRAs in the Semester process are the Association of Regions⁴⁷ and the Union of Towns and Municipalities of the Czech Republic (SMO ČR⁴⁸). In addition to taking part in the roundtables, they comment on the draft NRP in writing and the Government “needs to reply explaining what they’ve done with it”⁴⁹. This is a normal procedure regarding any legislative proposals⁵⁰.

However, there are no separate written contributions from the LRA associations annexed to the version of the Czech NRP which is submitted to the Commission, but “the government takes on board their comments and suggestions”. Often, these point out that the LRAs need more resources for better implementation⁵¹.

⁴⁶ CoR, A Code of Conduct on the involvement of LRA in the European Semester, 2015 (p. 26)

⁴⁷ Asociace krajů

⁴⁸ Svaz měst a obcí České republiky

⁴⁹ Study consultations with SMO ČR

⁵⁰ The central Government must consult the Union of Czech Towns and Municipalities on measures which directly affect the Municipalities. Moreover, an agreement on mutual cooperation was signed in 2005 between the central Government and the Union of Czech Towns and Municipalities whereby the Union is regularly consulted by the Government representatives (CEMR, *Study on ‘Consultation procedures within European States’*, 2007, pp.45-49).

⁵¹ Study consultations with SMO ČR

There are also *ad hoc* opportunities for the LRAs and their representatives to meet directly with the Commission. In 2017 the ESOs recommended to the Commission to meet LRAs in the fact-finding mission on specific themes. Two such meetings took place: on e-government and on public procurement. In 2017 the ESOs presented the CR and CSRs to Parliament.

In previous years the ESOs had separate meetings with the representatives of the LRAs. For instance in 2016 they held such discussions to find out the LRA views on the Country Report. Also, in June 2016 (and in previous years) at the request of the SMO ČR (union of municipalities) the ESOs organised a trip to Brussels for 20 mayors and this covered the ES, ESIF, etc. Similar visits are also organised by the SMO ČR itself, but not exclusively on the Semester.

3.4.2 LRA involvement in the implementation of CSRs and towards the Europe 2020 targets

A territorial dimension is largely lacking in the Semester documents. In the case of territorial analyses this is, to some extent, a reflection of the not-so-pronounced inter-regional disparities in the Czech Republic, with the exception of the Prague region. However, there are several policy areas where the role of LRAs is acknowledged, especially in the implementation of the NRP, including those related to the Europe 2020 targets. Moreover, the CoR Territorial Analysis of the CSRs (2017) has identified a large group of territory-related CSRs of direct relevance to the LRAs.

There are specific instances, where the LRAs are recognised as an important player. There are such references in connection with the implementation of the 2017 NRP, e.g. in the fields of:

- **Social inclusion:** The Ministry of Social Affairs will support inclusion of socially excluded senior citizens through subsidies and CZK20 million⁵² are allocated for 2017 to support LRAs in implementing this policy.
- **Environment:** The law on improvement of air quality was amended in 2017 which will put more responsibility on communities for implementation of the Action plan on air quality improvement (increase of budget of communities for controlling households by CZK9.5 million⁵³ /year).

⁵² approximately EUR 767,000.

⁵³ approximately EUR 364,000.

Two other specific examples highlighting the significance of LRA involvement in the implementation of CSRs and towards Europe 2020 targets are outlined below.

Socially inclusive education

A policy area with considerable LRA involvement is education, where municipalities have responsibility for primary schools and the regions for secondary education⁵⁴.

Reform steps in this area are focused on a reduction in the rate of early school leaving among the most vulnerable groups, being pupils with disabilities and especially Roma pupils. Thus, almost all of the reform measures for 2016 were oriented in this direction. In the period 2016-2018, further measures of the *Action Plan for Inclusive Education* are also to be implemented⁵⁵. Support of inclusive education by local projects is considered important also in the NRP 2017 as fostering social inclusion.

These efforts have been in line with the 2016 CSR 3 which recommended to “take measures to increase the inclusion of disadvantaged children, including Roma, in mainstream schools and pre-schools.” This led to legislation by the government for integrating Roma and other disadvantaged children in mainstream schools. The legislation is being implemented since September 2016 and this is reflected in the 2017 CR (p. 37) which has reported that “Some progress has been made towards increasing the inclusion of disadvantaged children”. For this reason the CSR does not appear in the 2017 CSRs (“the government has done the required legislation”)⁵⁶.

However, the implementation of the legislation is not progressing. The municipalities have argued that the schools and the teachers are not ready for this change and that better preparation and more resources are required for the policy to succeed⁵⁷. Critics of the LRAs have argued that the municipalities (and parents) prefer the present system of segregation⁵⁸. This lack of progress of the CSR implementation on the ground is an example of the negative effects of non-LRA-involvement.

⁵⁴ Division of Powers study, CoR 2016

⁵⁵ CZ-NRP2016 p. 45

⁵⁶ Study consultations with the Office of the Government and SMO ČR

⁵⁷ Study consultations with SMO ČR

⁵⁸ Study consultations with ESO

Public procurement

This topic, in which the LRAs play a very important role, remains prominent in the European Semester in the Czech Republic. CSR 1 (2017) recommends to “Increase the effectiveness of public spending, notably by fighting corruption and inefficient practices in public procurement.

The 2017 CR (p. 36) finds - against a similar 2016 CSR 2, which recommended to “improve public procurement practices” - that limited progress has been made in improving public procurement practices. Despite the slightly delayed transposition of the modernised public procurement directives, no specific measures were announced to cope with the systemic shortcomings in the application of the public procurement legislation, in particular low use of quality criteria in tenders, unprofessionally prepared tender specifications, excessive use of negotiated procedures without prior publication and low use of aggregated procurement.

The national legislation is now in line with the EU legislation “but eight months later it is not yet been put in practice”. Indeed this depends to a large extent on LRAs⁵⁹. Municipalities are the most numerous group of contracting authorities, but because most of them fall into the category of ‘small municipalities’, they are not obliged to follow the specific proceedings of the law⁶⁰.

3.4.3 Expectations regarding the introduction of a Code of Conduct

Table 6: State of play snapshot - Czech Republic

1. Standing partnership arrangements regarding LRA involvement	Both formal and informal arrangements are in place, but most opportunities for LRA involvement are as part of consultations with various stakeholders.
2. LRAs participate in consultations with COM	Yes, but not systematically
3. LRAs have role in reviewing CR	Yes, together with other stakeholders
4. LRAs have role in preparation of NRP	Yes
5. LRAs have role in responding to CSRs	Yes, together with other stakeholders
6. Definition of regional disparities and territorial issues in CR, NRP, CSRs	Limited
7. Evidence of significant LRA contribution to CSR implementation & EU2020 targets	Yes, in both CSRs and in EU2020 targets

⁵⁹ Study consultation with the Office of the Government.

⁶⁰ Study consultations with SMO ČR.

8. Evidence of significant non-involvement / missing contribution by LRAs to CSR implementation, reform policies & EU2020 targets	Yes, largely due to LRAs being treated as ‘implementers’ of national policies without sufficient agreement and resources
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The situation regarding the operation of the Semester in the Czech Republic has been stable for some time. The Government, European Commission (ESOs) and LRA representatives are all active and cooperate in the Semester process. The LRAs have a say (or at least an opportunity to do so) and play an important role in implementation.

In conclusion:

- Several elements corresponding to the CoC are partially in place through formal and informal arrangements, notably in consultations with the government and the Commission and in having an active role in a range of policy fields.
- A few elements are lacking but it should be possible to establish them easily, such as territorial analyses, while other aspects will probably need a more gradual transition and longer timeline, such as a fuller preparation of policy implementation with LRA engagement and ensuring that LRA resources are commensurate to their powers and tasks.

3.5 Romania

3.5.1 Current involvement of LRAs in the European Semester

Since the launch of Europe 2020 Strategy, the involvement of LRAs and social partners has occurred at specific moments of the European Semester, such as the publication of Country Reports or CSRs. In this context, the national coordinator of Europe 2020 Strategy has organised or co-organised a series of consultation events (national conferences, roundtables etc.) opened to all the social partners and relevant stakeholders, including the LRA associations.

In March 2017 the Commission Representation in Romania organised a conference on the Country Report Romania 2017, attended by the main institutions from central public administration, social partners and civil society. The debate provided some ideas for the 2017 NRP, including new measures to meet the challenges facing Romania. This was a major event structured in four

thematic plenary sessions and it attracted hundreds of participants, though few LRAs participated^{61 62}.

In order to ensure a common understanding and a higher ownership of the reform measures, the draft 2017 NRP was submitted, for consultation purpose, to the representatives of the social partners at national level⁶³. The LRA associations were not involved in this exercise.

Generally, the LRA associations have reported that they have a good working relationship with the government and are normally consulted on legislative proposals and their opinions are taken into consideration⁶⁴. However, this does not apply to the European Semester and, at least in the case of the Romanian counties, this is attributed to their limited competencies. The lack of LRA-targeted activities, organised by either the government or the Commission (ESO) is also seen as a factor.

It is worth noting that in 2011 and 2012, the Ministry of European Affairs and the NGO Institute for Public Policy (IPP) organised a series of four roundtables at local level (in Cluj-Napoca, Râmnicu-Vâlcea, Iași and Târgoviște) on the topic of *Implications of Europe 2020 Strategy on the sustainable local development (actors, policies, opportunities)*. At each roundtable, the main provisions of the Europe 2020 Strategy and the NRP were presented and discussed. Some 150 representatives of the Romanian Parliament, local/county/regional authorities, business, academia and civil society participated at these roundtables⁶⁵.

3.5.2 LRA involvement in the implementation of CSRs and towards Europe 2020 targets

A systematic territorial dimension is largely lacking in the Semester documents, and seems to reflect the very low degree of local autonomy in Romania⁶⁶. In the case of territorial analyses this is surprising in view of the huge regional disparities in the country.. However, some aspects linked to regional disparities

⁶¹ Study consultations with ESO

⁶² The UNCJR (union of counties) was not aware of it and was not represented (Study consultations with UNCJR).

⁶³ RO-NRP2017 p. 61.

⁶⁴ The LRAs are involved in the consultation process of every policy measure affecting them by the responsible public authority/ies. For example, the National Union of County Councils of Romania (UNCJR) was in 2016 an important “collaborator” of the Romanian Parliament, as consultative body on draft laws. UNCJR was part of a record number of legislative consultations - 801 legislative consultations and 217 views or observations. In 2016 UNCJR formulated 325 views or observations, part of them being taken into account.

⁶⁵ Written contribution of Romanian LRA associations and Permanent Representation of Romania in Brussels

⁶⁶ http://ec.europa.eu/regional_policy/en/information/publications/studies/2015/self-rule-index-for-local-authorities-release-1-0

and territorial issues are included in the CR, NRP or CSRs. For instance, the 2017 NRP (p. 56) refers to the existing urban-rural disparities and the poor condition of the infrastructure in the Danube Delta area with reference to a recent call for proposals with an allocation of EUR 55 million for the Danube Delta ITI⁶⁷. It similarly refers to local development strategies in towns/municipalities with a population of more than 20,000 inhabitants and to Local Action Groups. (p. 55).

Moreover, the CoR Territorial Analysis of the CSRs (2017) has identified a large group of territory-related CSRs, a few of which were of direct relevance to the LRAs. A major challenge concerns public investment projects. In 2017, the CR and the CSRs do not contain direct references to LRAs' role concerning such projects⁶⁸. However, the 2016 CR and CSRs mentioned the acute difficulties in prioritisation at local level due to lack of selection criteria in the national programme for local development.

The NRP represents a framework platform for defining the structural reforms and the development priorities at national level and implicitly at regional/local level. The NRP comprises both legislative and non-legislative measures designed to contribute towards the attainment of the objectives of the Europe 2020 Strategy. Most of the non-legislative measures are implemented with ESIF support. Thus, the involvement of LRAs in the implementation of the measures included in NRP and financed by ESIF 2014-2020 (especially, but not only, under the Regional Operational Programme and the National Programme for Rural Development) is extensive⁶⁹.

Examples of the role of LRAs in education and in the field of climate change and energy are presented below, highlighting the significance of LRA involvement and contribution towards Europe 2020 targets.

LRAs as a partner in education (I)⁷⁰

The LRAs play an important role in the implementation of the measures targeting the pre-university education since the funding of primary and secondary education is channelled through the local budgets according to a *per capita* funding principle. Therefore, one of the two education targets of Europe 2020 strategy, i.e. reducing early school leaving rate to 11.3% (10% at EU level), concerns the local level directly. The Ministry of National Education

⁶⁷ Integrated Territorial Investment

⁶⁸ 2017 CSR 3 recommends "... Strengthen project prioritisation and preparation in public investment...", however, the study consultation suggested that this is mainly an issue for large national-level projects.

⁶⁹ Written contribution of Romanian LRA associations and Permanent Representation of Romania in Brussels.

⁷⁰ *Ibid.*

(MNE) presented the *National Strategy on Reducing Early School Leaving* to the county school inspectorates at the beginning of 2015/2016 school year. Moreover, in order to assess the needs for investment in school infrastructure, the MNE asked the county school inspectorates to support the LRAs in order to obtain the operating permits and licences. The elaboration of the *National Strategy on School Infrastructure* is currently ongoing with the support and data provided by local authorities.

Other measures included in NRP 2017 in the field of education, involving LRAs, are to be implemented through EU, Swiss and Norwegian funded projects. For instance the call *School for All* will finance integrated socio-educational measures and targets at the same time the family, the school and the local community. The call is open to all schools, but priority is given to the disadvantaged areas. The call *Motivated teachers in disadvantaged schools* targets the most disadvantaged schools having enrolled many children at risk of dropping out and unable to attract or retain qualified teachers. The aim of these measures is to reduce the gap between the underdeveloped communities and the mainstream ones in terms of ensuring equal chances in education too. In this type of projects the local partnership between the school, LRA and other stakeholders (NGOs, local initiative groups, etc.) is a prerequisite.

*Climate change and energy*⁷¹

The involvement of the LRAs is very extensive in this important aspect of the Europe 2020 strategy, as highlighted in the following project examples:

- 21 projects funded for the creation/ rehabilitation of green spaces in urban areas.
- Continuation through the Large Infrastructure Operational Programme of the integrated phased projects for the consolidation and extension of integrated waste management systems (initiated through the previous programme), as well as the financing of new projects through which integrated waste management systems are developed or which aim at developing energy recovery installations with high efficiency co-generation.

⁷¹ *Ibid.*

- Development and rehabilitation of sewage and wastewater treatment plants.
- The extension and upgrade of flood risk protection systems.
- The implementation of the District Heating 2006-2020 Heat and Comfort Programme implementation.
- Increasing the energy efficiency in residential and public buildings and in the lighting of public spaces.

*LRAs as a partner in education (II)*⁷²

It is worth noting that bottom-up initiatives have been making a significant contribution in Romania, often led by non-governmental bodies with LRAs as partners⁷³, and leading to a national approach. Such an example is the project “Migrants in Intercultural Romania” which was identified in a 2015 study of the European Commission on Local and Regional Partners Contributing to Europe 2020 and has been presented in a previous CoR study⁷⁴. Another more recent example is the initiative “Every Child in the Preschool”, by the OvidiuRO NGO⁷⁵. A further example is presented below.

The Kronstadt German Vocational School is a voluntary initiative to create a new dual technical education pilot project in Brasov (Kronstadt) that started in 2012. It is a joint venture of various partners, including the City of Braşov.

In setting up the Kronstadt German Vocational School, three partners played a major role to support and promote it: the City of Braşov, which made available the school building (the former Rulmentul high school) and rehabilitated it; the Braşov County Inspectorate, which requested the creation of the school and its inclusion in the educational network of the county, and made teachers available; and the DWK-Fit for Future association, which undertook roles like equipping the school, managing the graduates and promoting the school. In 2015, the City of Braşov rehabilitated the school workshops, and partner companies fitted out each workshop with high technology equipment.

⁷² <http://www.ttonline.ro/sectiuni/english-section/articole/13226-kronstadt-german-vocational-school>

⁷³ Study consultations with ESO.

⁷⁴ CoR, A Code of Conduct on the involvement of LRA in the European Semester, 2015.

⁷⁵ <http://www.ovid.ro/en/>

3.5.3 Expectations regarding the introduction of a Code of Conduct

Table 7: State of play snapshot – Romania

1. Standing partnership arrangements regarding LRA involvement	No
2. LRAs participate in consultations with COM	No
3. LRAs have role in reviewing CR	Yes, but passive
4. LRAs have role in preparation of NRP	Yes, but passive
5. LRAs have role in responding to CSRs	No
6. Definition of regional disparities and territorial issues in CR, NRP, CSRs	Not systematically
7. Evidence of significant LRA contribution to CSR implementation & EU2020 targets	Yes, across-the-board of EU2020 targets
8. Evidence of significant non-involvement / missing contribution to CSR implementation, reform policies & EU2020 targets	Yes, in view of limited local autonomy

Regarding the LRAs role in the preparation of the NRP or in responding to the CR or CSRs at national level, there is not at present a formally established mechanism. The LRAs, especially at county level, have limited relevant competencies but the municipalities can play and do play a more significant role in policy implementation in the framework of the NRP. The major regional disparities in Romania fully justify such an involvement and a stronger territorial approach.

In conclusion:

- Relatively few elements corresponding to the CoC are in place, almost entirely through informal arrangements.
- The process related elements of the CoC should be relatively easy to introduce by bringing the LRAs into the normal consultative arrangements and adding LRA-specific opportunities for a structured involvement. This would require a targeted effort by the government and the Commission's ESO, in cooperation with the LRA associations.
- Other content-related aspects will probably need a longer timeline, with associated capacity building included.

- The LRA associations' own assessment is that the provisions of a future Code of Conduct could be introduced in a two-year timeframe provided a consultation of all the relevant stakeholders takes place beforehand.

3.6 France

3.6.1 Current involvement of LRAs in the European Semester

The *Secrétariat général des affaires européennes*, under the Prime Minister, formally coordinates the Semester process in France. The line ministries play the leading roles and are *de facto* the counterparts of the Commission. They decide who the stakeholders that will be involved are and they organise the Commission's fact-finding missions⁷⁶.

Three LRA associations have official statutes and are recognised as partners by the state and the Commission and are invited to joint or bilateral meetings during the Semester cycle: *Regions de France* (ARF); *Assemblée des Départements de France* (ADF); and, *Association des Maires de France* (AMF).

From an LRA perspective, actual Semester consultations by the state are perfunctory: the regions are shown the documents a few days before they are submitted to Brussels. Such 'small meetings' amount to information meetings rather than consultations. They are perceived as being organised due to pressure from the Commission⁷⁷.

There have been no substantive contributions from the regions in recent years, as the government has ignored previous efforts by the LRA partners to contribute. This goes back as far as 2012 when the president of ARF wrote formally to the Prime Minister complaining that its contribution had not been annexed to the final version of the NRP submitted to the Commission⁷⁸. This discontent of the LRA associations regarding their involvement in the Semester and their formal complaints to the government has continued to date⁷⁹.

⁷⁶ Study consultations with ESO.

⁷⁷ Study consultations with ARF.

⁷⁸ Letter from the President of ARF to the Prime Minister, 22.03.2012, including ARF's contribution to NRP 2012.

⁷⁹ "The directors of the associations of elected representatives (AMF, ADF and Regions of France) wrote to Philippe Légière-Costa, Secretary-General for European Affairs to the Prime Minister, in order to remind him that local and regional authorities regret, once again, not been involved in the development of the 2017-2020 stability programme ..." http://www.amf.asso.fr/document/index.asp?DOC_N_ID=24531&TYPE_ACTU=

The European Commission's ESOs play an active role in both the formal consultations which are organised by the government and in reaching out to all ES stakeholders. The ESOs also organise presentations at every stage of the Semester process, including the CR and CSRs, for stakeholders and these are attended by large numbers of participants including representatives of the three LRA associations. They maintain ongoing communications through bilateral meetings; they "meet everybody and try to make the Semester process as participative as possible"⁸⁰.

The LRA side considers the interaction with the Commission to be constructive: "They want to clarify some points. They want to understand what the regions do or can do, their intentions and their relationship with the state". There have been 'good quality' discussions on, e.g. transport, employment, education, IT, etc⁸¹.

The Commission is planning a new initiative to reach out to LRAs throughout the country: to organise an event in the autumn 2017 specifically for the regions.

3.6.2 LRA involvement in the implementation of CSRs and towards Europe 2020 targets

A territorial dimension is largely lacking in the Semester documents. In the case of territorial analyses this is largely limited to a distinction between metropolitan France and overseas departments in presenting data, e.g. on unemployment. Moreover, the role of LRAs is hardly acknowledged although the CoR Territorial Analysis of the CSRs (2017) has revealed a sizeable group of territory-related CSRs which are of direct relevance to the LRAs. This is in line with the widespread impression that France is a highly centralised country and that the LRAs have few competencies and no legislative powers⁸².

The specific examples outlined below highlight the significance of LRA involvement in the implementation of CSRs and towards Europe 2020 targets.

Barriers to investment

Among the main barriers to private investment, the regulatory environment remains a key aspect and this has been stressed in CSR 4 in both 2016 and 2017.

⁸⁰ Study consultations with ESO.

⁸¹ Study consultations with ARF.

⁸² Study consultations with ESO and ARF.

Despite ongoing simplification efforts, firms are faced with a relatively heavy and complex regulatory framework, while regulatory instability weighs on business perception. Regulatory bottlenecks in some network industries, notably in energy and transport, discourage investment in those sectors. Infrastructure investment faces administrative barriers such as lengthy authorisation procedures. The government has attempted to address these weaknesses, notably through a simplification programme. The programme has *inter alia* eased authorisation requirements and building permits for renewable energy projects and for the deployment of broadband networks⁸³.

Although the reform starts with national legislation, the implementation is done at local level. Construction permits for telecoms, wind farms, etc. are issued by the LRAs. However, the role of the LRAs is not acknowledged in the Semester documents and there is much greater scope for their involvement from the formulation of the measures to their implementation in order to improve their effectiveness⁸⁴.

Professional training

France is facing considerable challenges in the field of education and vocational training⁸⁵. Specifically, the 2017 CSR 3 recommends to “Improve the access to the labour market for jobseekers, notably the less qualified workers and people with a migrant background, including by revising the system of vocational education and training. ...”

Matching skills to labour market requirements is a high priority. The current system does not address the greatest needs. They are better matched at regional level⁸⁶. Thus the reforms in hand have started to recognise the importance of the local/regional dimension. A ‘new partnership between the central government and regional governments to fight unemployment and promote training’ was launched in March 2016⁸⁷.

From the Semester’s perspective vocational education and training is framed by national law and it is to be seen how the regions will perform in policy delivery⁸⁸. The regions stress that a relevant key competence of the regions is professional training for unemployed people and that this is not a competence of the state. “But the state still wants to interfere and this is a big problem in terms

⁸³ FR-CR2017 p. 46.

⁸⁴ Study consultations with ESO.

⁸⁵ FR-CR2017 pp. 35-36.

⁸⁶ Study consultations with ESO.

⁸⁷ FR-NRP2016 p. 82.

⁸⁸ Study consultations with ESO.

of inefficiencies”⁸⁹. They also complain that the transfer of competencies has not been accompanied by commensurate financial resources.

3.6.3 Expectations regarding the introduction of a Code of Conduct

Table 8: State of play snapshot – France

1. Standing partnership arrangements regarding LRA involvement	Yes, LRAs participate in a restricted role
2. LRAs participate in consultations with COM	Yes
3. LRAs have role in reviewing CR	No
4. LRAs have role in preparation of NRP	No, nominally consulted
5. LRAs have role in responding to CSRs	No
6. Definition of regional disparities and territorial issues in CR, NRP, CSRs	Very limited
7. Evidence of significant LRA contribution to CSR implementation & EU2020 targets	No
8. Evidence of significant non-involvement / missing contribution to CSR implementation, reform policies & EU2020 targets	Yes, e.g. in professional training and construction permits

The informal activities of the Commission’s ESOs have managed to keep the LRA representatives ‘in the loop’. However, it has not been possible so far for the LRAs to play an active role in the preparation of NRP or in responding to the CR or CSRs at national level, under the consultative arrangements that operate in France. Furthermore, the tensions that have prevailed between Government and the LRAs, against a background of regional reform and austerity, have created rather unfavourable conditions for a change in direction.

In conclusion:

- Relatively few elements corresponding to the CoC are in place almost entirely through informal arrangements.
- The process related elements of the CoC should be relatively easy to introduce, by revising the current consultative arrangements to bring in the LRAs, and adding LRA-specific opportunities for a structured involvement.

⁸⁹ Study consultations with ARF.

- Other content-related aspects will probably need a longer timeline and/or a significant shift in traditional government/LRA relationships in the new political context.
- Subject to the above, the strong government machinery of France should be able to introduce the provisions of the CoC in a two year timeframe, given the willingness of the LRAs to play a much more active role in the European Semester.

4 Lessons from current practices

This chapter considers how the practices observed in Chapter 3 can inform the implementation of the proposed Code of Conduct.

It also explores how the lessons drawn from the case studies can be generalised in the light of existing differences in the division of powers, capacities and institutional arrangements throughout the EU.

It concludes that putting the Code into practice, country by country, needs to address two major challenges:

- recognising the LRAs as a full partner in the Semester, in the context of multilevel governance;
- tackling the multiple weaknesses in the administrative capacity of the LRAs and overcoming the frequent misalignment between their competencies and financial resources.

4.1 Relevance of current practices to the implementation of the proposed Code of Conduct

The experiences of the countries covered in the case studies of Chapter 3 are directly relevant to the main elements of the proposed CoC and can inform its implementation, as summarised in the table below. They include examples of standing consultative schemes, different types of consultation activities (e.g. conferences, briefings) addressed to LRAs in general or to their representative organisations, and relevant experiences from LRA involvement in the implementation of NRPs and CSRs.

Table 9: Current practices of relevance to the main elements of the proposed CoC

CoC elements ⁹⁰	Current practices in Member States
20.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	SE (partners' agreement, specifying purpose, when, how). IT (standing consultative scheme). CZ (informal consultative scheme, including LRAs).

⁹⁰ Excerpts from the proposed Code of Conduct: <http://cor.europa.eu/en/activities/opinions/pages/opinion-factsheet.aspx?OpinionNumber=CDR%205386/2016>

CoC elements ⁹⁰	Current practices in Member States
provisions and normal practices; each Member State would specify how these arrangements would practically work and their timing	
20.b) the [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;	SE, CZ consultation opportunities for LRAs at all stages. Specific consultations, include: RO (ESO-organised conference on CR) FR (ESO-organised briefings at each stage).
20.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;	All have relevant experiences and can learn from problems encountered in implementation due to inadequate LRA involvement.
20.d) the representative organisations of local and regional authorities [...] 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 ;	Organised by ESOs in FR, CZ, SE (and in PT, RO, IT but “not targeting LRAs”). (CZ study visits to Brussels).
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, to their specific contexts;	In all cases: feasible to establish CoC-type consultative arrangements within two years; much sooner in SE, IT and CZ. Effecting a genuine partner role for the LRAs is a longer term process (and in part linked to capacity, below)
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, ...	Capacity of LRA associations to contribute in the process, such as availability of expertise (policy officers, as in SE) or technical support structure (like <i>CINSEDO</i> in IT). Capacity of LRAs to initiate/implement projects, deliver policies.
26. calls for measures to be considered to encourage Member States to adopt the Code of Conduct;	Support initiatives by LRA associations, e.g. awareness raising conferences. ESOs have an important role and could target LRAs in countries where they do not currently do so.

4.2 Lessons regarding the process and content of the European Semester of relevance to the implementation of the proposed Code of Conduct

The practices analysed in Chapter 3 offer a number of lessons on two aspects of the European Semester: the first concerns the coordination and consultation arrangements at country level (**‘the process’**) and, the second, **‘the content’**, i.e. the analytical aspects, development of policy measures and their implementation.

4.2.1 The European Semester process

The European Commission in its guidance on the NRPs regarding institutional issues and stakeholder involvement, requires the Member States to report on the involvement and participation of three main groups of actors: national parliaments; social partners and the civil society; and, local and regional authorities.

There are various consultative arrangements in place at country level regarding the European Semester. These encompass briefings and discussions with national and, in some cases, regional parliaments. They also include consultative arrangements based on tripartite consultative structures involving the government and the social partners (employers’ and workers’ organisations). These are often referred to as ‘the formal process’ since the structures are on a statutory basis. These structures are used specifically for the European Semester during different stages of the Semester cycle, as seen in the case studies on the Czech Republic and Sweden.

This ‘formal process’ is coordinated by central government, mostly by a department or secretariat under the Prime Minister (e.g. FR, SE, CZ) or the Minister for Economic Affairs (e.g. IT, NL) or, less commonly, another Government Minister (e.g. European/Foreign Affairs in RO).

LRAs do not usually have a seat at the table in such consultations⁹¹ unless they participate as major employers, as is the case of some mostly Northern European countries⁹². In a few cases they are formally consulted at certain stages of the Semester cycle through state/LRA standing consultative structures,

⁹¹ Other formal consultative structures are used to consult LRAs on specific steps of the Semester cycle such as the NRP (e.g. the Territorial Coordination Council in PT).

⁹² In Sweden, SALAR is one of the social partners as a representative of an important group of employers. LRAs enjoy social partner status also in other countries, e.g. DK, and at EU level (CEMR participates in social dialogue).

as seen in the case studies on Italy (*Conferenza Stato-Regioni*) and Portugal (Territorial Coordination Council) and in some other countries, e.g. Austria⁹³. There are various other processes, usually described as ‘informal’ because they lack a statutory basis. In many cases they are fairly comprehensive, both in terms of covering the full Semester cycle and in being open to a wide range of participants, usually described as ‘stakeholders’⁹⁴. The case studies show that the LRAs and their associations are always included.

In several countries such so-called informal processes are well established and have been going on for several years, with adjustments and refinements, e.g. SE, IT, CZ. They are predictable and the LRA representatives have come to expect to be involved. They include a variety of activities (conferences, roundtables, thematic working groups, etc) open to all types of participants or only for certain groups, such as the LRAs. Typically, they are coordinated by the same government unit that coordinates the formal Semester process in the country.

Such informal but comprehensive schemes can come close to what is envisaged in the proposed CoC, especially where an explicit agreement is in place between the government and Semester partners, like the LRAs, as in Sweden. In this case there is a written agreement since 2013 between the social partners (which include the LRAs) that defines the purpose, method and timing of the consultative arrangements on the implementation of Europe 2020 Strategy, and covers the full Semester cycle (see Annex II).

There are many other informal processes, notably based on the information and liaison activities of the ESOs, e.g. in FR, although in some countries the ESOs are not targeting LRAs but other actors - national parliament, social partners, universities, civil society organisations - as in RO and PT.

There are also *ad hoc* activities initiated by LRA associations, such as the annual conference on the Europe 2020 strategy in Sweden and study visits to Brussels by Czech mayors.

Below the surface of the recognised formal and informal processes there are many ongoing and very informal links between the LRA representatives and the line ministries which are responsible for the bulk of the NRP⁹⁵. The study consultations have highlighted that these are often the most effective channels

⁹³ There is a formal consultation process installed between the Länder (as well as the two associations for local authorities – Gemeindebund Städtebund) and the federal level with regard to the European Semester and the respective reporting.

⁹⁴ This is in line with the European Commission’s guidance on NRPs.

⁹⁵ The case studies revealed that the line ministries are *de facto* the principal interlocutors of the Commission services.

for LRAs to make a substantive contribution to the NRP, especially *vis-à-vis* line ministries they customarily deal with and in a sense belong to the same ‘policy community’.

Overall, there are various consultative arrangements at country level regarding the European Semester, referred to as ‘formal’ or ‘informal’ processes, but there is a lack of specific and dedicated arrangements to ensure the full involvement of LRAs.

Moreover, while the consultation structures and activities in different countries could be the same or similar, they may still vary in terms of their **purpose**, i.e. whether the LRAs are being consulted:

- ‘for information’,
- ‘for contribution’ or
- ‘for endorsement or co-decision’.

The case studies show that the main purpose of the consultations corresponds to the first two cases, such as in FR and RO where the consultations are predominantly ‘for information’, while in SE and IT they are ‘for contribution’ and the LRA contributions are explicitly acknowledged and the Commission is also informed. However, there are other cases, not covered in the case studies, where the LRAs have a bigger and more formal say, notably, in federal states through regional parliaments (e.g. in Belgium) or the upper house of the national parliament (e.g. German *Budensrat*).

Independently of the degree of LRA contribution there is an issue of lead of the process and ownership of the NRP. Even in Sweden the NRP is seen as “a pure government product”⁹⁶ and the contributions of the social partners and LRAs remain distinct from it, as is the case in Italy and in previous years also in the Netherlands. This was linked by the stakeholders who were consulted for the case studies⁹⁷ to a high degree of centralisation, generally, as well as in matters relating to the Semester and the role of the national European Semester coordinator. However, it should be recognised that the role of the Semester coordinator can vary considerably both *vis-à-vis* the usually powerful line ministries and other actors. In some cases they act as a mere ‘postbox’ for line ministries, whilst in other cases they can be ‘above the fray’ acting as moderator (‘honest broker’) or even facilitator for all partners.

⁹⁶ Study consultations with the Prime Minister’s Office (SE). Also emphasised in other study consultations, e.g. FR, IT, NL.

⁹⁷ With the notable exception of Italy.

4.2.2 The European Semester content

Under the rubric of ‘content’ we consider what the LRAs do and can do in the Semester, especially in the preparation and implementation of the NRP, the response to the CSRs and the attainment of the Europe 2020 targets. Generally, the contribution of the LRAs can be on the analytical aspects of the Semester (from a territorial perspective), the development of policy measures and their implementation.

The CoR Territorial Analysis of the CSRs (2017) has highlighted the considerable extent of territory-related CSRs, their direct relevance to the LRAs and the main policy areas in which they are concentrated. These are mostly in labour market, education and social policies, public administration and business environment. This analysis has also pointed to variations between EU countries in the extent of territory/LRA-relevant CSRs.

The case studies confirm that there are significant variations as to how far the current or recent CSRs are territory-relevant and involve LRAs. However, they also show that the involvement of the LRAs is often ‘under the radar’ i.e. it goes undetected and there is no reference in the Semester documents to LRA involvement or explicit acknowledgement of it. This is largely due to the fact that the Commission and the national governments are focused on legislative actions⁹⁸ which do not directly involve the LRAs in most countries. Typical examples are the cases of inclusive schools and public procurement in the Czech Republic.

Regarding the policy areas of the Europe 2020 strategy targets, the case studies have shown that the LRAs have been contributing across-the-board, in all countries. They have been doing so using various sources of funding and they increasingly anchor the implementation of the relevant policy measures to the use of ESIF⁹⁹. This is amply illustrated in the lists of relevant projects produced by the LRA associations in Italy and Sweden in connection with the NRPs. The study consultations have highlighted that the fields of social inclusion and education are of growing importance as far as the LRAs are concerned and are areas where the LRAs already have (e.g. CZ, RO) or are gaining additional competencies (e.g. PT). The field of environment is also prominent.

However, the contribution of LRAs and their associations to the content is not only related to their competencies but also to the role they play in the process, i.e. as ‘partners’ in decision-making or mere ‘implementers’. The former allows

⁹⁸ The Romanian consultees made a clear distinction between legislative and non-legislative measures, and indicated that the LRAs were contributing in the latter.

⁹⁹ Study consultations with ESO (IT).

them to come in as contributors to analytical aspects and to the formulation of policy concepts and measures, which is the case in Sweden. The latter is much more restricted with the LRAs regarded as policy delivery instruments, as seen in several instances in the case studies on FR, IT, PT and CZ (see also 4.3.1, below).

The case studies and other feedback obtained by the study underline the willingness of the LRAs to be a partner in the Semester at least in their own areas of competence (e.g. CZ on schools, NL on energy transition) but also more ambitiously on the broader aspects of the strategic and policy content of the Semester. This is evidenced in the representations of the French regions, as far back as 2012, and the more recent orientations coming from some regions in Italy on the links between Semester and Cohesion policy in the post-2020 period.

In other words, the LRAs have been making a case on the ground against a European Semester focused on stand-alone, short-to-medium term policy measures and have seen its links with the longer-term perspective of Cohesion policy - its priorities, resources and mechanisms, particularly the partnership agreements - as one of its foundations. This is reflected in the recent Opinion of the CoR on the Future of Cohesion Policy beyond 2020¹⁰⁰ which has highlighted its importance as a pillar of the European integration process and of Europe's economic growth, its contribution to economic policy coordination, and the planning certainty it has injected through a long-term strategic approach.

Moreover, the alignment of the short-to-medium term policy considerations in the Semester with the longer-term strategic perspective of the Europe 2020 has been rather pronounced in all countries' NRPs¹⁰¹. With Europe 2020 fading¹⁰², as we get closer to 2020, there is a pressing need to ensure that there is a clear strategic signposting for LRAs to be well-motivated and substantive contributors to the European Semester.

¹⁰⁰ <http://cor.europa.eu/en/activities/opinions/pages/opinion-factsheet.aspx?OpinionNumber=CDR%201814/2016>

¹⁰¹ In part influenced by the European Commission's guidance on NRPs

¹⁰² Although the economic, social and environmental dimensions at the heart of the SDGs have largely been mainstreamed into the Europe 2020 strategy, but as things stand at present the SDGs themselves may constitute a general strategic reference system beyond 2020.

4.3 General lessons

4.3.1 The conditions for LRAs to play the role of full partner

Overall, this is a fragmented picture of how and where the LRAs are at present involved and contribute to the Semester, but it contains many experiences which are directly relevant to the main elements of the proposed CoC and can inform its implementation.

A central message is that it is very important for the LRAs to be recognised as partners. This has already been strongly supported by the CoR on the grounds that the LRAs are a second tier of government, and it is in line with the broader EU thinking from both an institutional¹⁰³ and an economic¹⁰⁴ perspective. In other words, the LRAs should be involved ‘for contribution’ and should be allowed an explicit role in the development of policy concepts and measures, and responses to identified issues, as in the example of Sweden.

Therefore, a key challenge in putting the CoC into practice is for the LRAs to be established as a ‘**full partner**’, rather than a mere stakeholder or nominal partner as is often the case. This means that they: a) are explicitly recognised as a partner; b) can contribute throughout the Semester cycle; and c) can do so in depth¹⁰⁵ commensurate with the degree of local/regional autonomy of each Member State and in a wide range of policy areas. Playing a full partner role has many benefits ranging from better analyses and formulation of policy measures to in-depth / ground level ownership and commitment to reforms and targets in the policy competence areas of the LRAs.

The commonly encountered alternative is for LRAs to be involved ‘for information’ and to be treated as a policy ‘implementer’, at the bottom end of the ‘food chain’ of the Semester. This has been noted in several examples of policy measures in the case studies (FR, PT, CZ) but also applies in other countries, e.g. NL¹⁰⁶. This role of ‘implementer’ or policy delivery instrument, is much more restricted and not in the spirit of multilevel governance, and could lead to tension and inefficiencies and there many examples of underperformance during implementation.

¹⁰³ “After a broad debate across our continent in the months to come, including the European Parliament, national Parliaments, local and regional authorities, and civil society at large ...” (Foreword to the White Paper on *The Future of Europe* European Commission COM(2017)2025).

¹⁰⁴ Harnessing globalisation “in close partnership with more empowered regions” (European Commission COM(2017) 240).

¹⁰⁵ For instance, being invited and making written contributions on CR assessments from a territorial perspective, as well as on the development of policy measures in response to CSRs.

¹⁰⁶ Study consultations with G32 Network (NL).

There are also cases where the constitutional architecture and the actual division of powers allows the LRAs to be involved in the Semester ‘for endorsement’ and to play a role akin to ‘co-decider’, as in Belgium and other federal states. This type of involvement completes the picture which is illustrated in the following table:

Table 10: Nature of involvement and role of LRAs

Purpose of LRA involvement	LRA role
For information	Implementer
For contribution	Partner
For endorsement	Co-decider

A second key challenge in putting the CoC into practice is ensuring that the LRAs are in a position to make substantive contributions to the content of the Semester and are able to play effectively the role of full partner. It crucially means addressing multiple aspects of administrative capacity and overcoming the frequently occurring misalignment of competencies and financial resources of the LRAs.

Different aspects of **administrative capacity** directly impinge on the ability of the LRAs and their national associations to play a full partner role in the Semester. It is clear that in the consultative process of the Semester the main participants from the LRA side will be the LRA associations, with the exception of open events (like awareness raising conferences). The LRAs as such are the ones that will directly participate in much of what is described as ‘the content’ in the preceding sub-section.

To start with, LRAs at large face well-known challenges in terms of skills/knowledge but also in terms of financial means commensurate with their competencies¹⁰⁷. Less well understood and acknowledged are the limitations of some national associations to play a fuller role in the Semester process, even where the consultation arrangements offer them such opportunities (e.g. to make considered and detailed submissions in the preparation of the NRP). This could be the result of human resource constraints, e.g. no policy officer dedicated to the Semester or technical support unit. However, there could also be other, more general, constraints that could prevent an association from making substantive contributions, such as a narrow remit for its professional team

¹⁰⁷ About half of 2017 CSRs (53%) are related to administrative capacity at the regional and local level, highlighting the importance of modernizing the public administration to deliver structural reforms in the context of the European Semester (CoR, Territorial Analysis of CSRs, 2017).

limiting its role to a secretariat function, a big diversity in political views among its elected members or a dependency on central government¹⁰⁸.

Lastly, boosting the role of the political LRA level is of crucial importance for achieving the necessary degree of ownership on the ground that has so far largely eluded the European Semester. The Semester process is currently dominated by the professionals (civil servants / experts), from the Commission, all the way down to the national and sub-national levels. National and sub-national level politicians tend to be rather superficially involved, suggesting that the format and timing of the Semester are not coherent with the country-level policy processes and debates¹⁰⁹. A stronger role for the elected politicians of the LRAs should therefore be factored in in any CoC inspired arrangement¹¹⁰, especially in countries where formal opportunities are lacking for the LRA voice to be heard, e.g. through regional parliaments.

Overcoming or avoiding a **mismatch between competencies and financial resources** of LRAs is also very important. Such a misalignment frequently occurs^{111 112} and is often associated with the longer term trends of transferring competencies to the sub-national level and increasing fiscal decentralisation across most of the EU from both the expenditure and revenue sides, albeit with heterogeneity across countries. In the case of the Semester it becomes a crucial factor in the realisation of many policy measures whose implementation depends on the LRAs, but this is noticed only at a later stage (even after the Commission has removed a CSR following the legislative steps by the national level). Endemic underperformance in the Semester is closely linked to this and it is prevalent where the LRAs have been playing a narrower policy delivery role.

The Semester works at country level when these two challenges have been addressed and thus all levels of government are contributing and are pulling together in the same direction. The disbenefits of failing to address them – transferring competencies but not resources or expecting the LRAs to deliver policy measures in the formulation of which they did not have a say – can be

¹⁰⁸ Even associations that play an active role in the core policy areas of the LRAs may be an ‘outsider’ in the policy community of the European Semester, often led by the Ministry of Finance rather than one of the line ministries they normally engage with.

¹⁰⁹ This is in line with a recent assessment that with the exception of indirect policy enforcement through the SGP and the MIP, Member States have wide discretion over how or whether at all to act on the CSR guidance and their actions tend to go along with two out of three AGS priority areas (structural reforms and pro-growth investment) but not fiscal consolidation (European Parliament, Synergies between the objectives set out in the Annual Growth Survey and the contribution of the EU budget and national budgets).

¹¹⁰ Study consultations with the Prime Minister’s Office (SE).

¹¹¹ CoR: Obstacles to Investment at local and regional level, 2016 (p. 42 and p. 73).

¹¹² The lack of adequate financial resources for local authorities is one of the ‘recurring issues’ (Council of Europe, 2014).

enormous and very disruptive, as illustrated in the examples of professional training in France, inclusive schools in the Czech Republic, PPP in Portugal and even investment in housing in Sweden.

4.3.2 Transferability of good practices

The case studies have confirmed that the approach of the CoR Opinion on the CoC has been realistic in acknowledging the considerable diversity that exists at national and sub-national levels as regards institutional arrangements, powers, traditions and resources. This is broadly supported by systematic EU-wide exercises, such as the local and regional autonomy using the indices published by the European Commission in 2015¹¹³. For instance, the Local Autonomy Index (LAI) using variables such as ‘institutional depth’¹¹⁴, ‘policy scope’ and ‘fiscal autonomy’ and other variables referring to the relationship between different levels of government ‘interactive rule’¹¹⁵ has produced scores showing considerable differences between countries (notably between Sweden and Romania, among those covered by the cases studies).

There are many relevant practices noted in the case studies that could inform and support the introduction of the proposed CoC in different Member States. There are also other interesting experiences in some Member States, which can be taken into account, such as the ‘regional reform programmes’ produced annually in Flanders and Scotland¹¹⁶, and which could be suitable for regions in federal or highly decentralised countries. However, the applicability and transferability of such practices depend to a large extent on establishing the main commonalities and key conditions under which they can be transferred.

Regarding ‘**applicability**’, the overriding principle is that of subsidiarity and it is therefore not anticipated that any of the observed good practices will be adopted as models for EU-wide application. This has been stressed in the CoR Opinion which states 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”.

Regarding ‘**transferability**’, the transition from the current state to the full implementation of the CoC needs to address two specific challenges which

¹¹³ Local Autonomy Index (LAI), Regional Authority Index (RAI) and Regional Self-Rule Index (Self-rule Index for Local Authorities, European Commission DG Regio, 2015).

¹¹⁴ For example, ‘institutional depth’ looks at the formal autonomy (constitutional and legal foundations) and, more concretely, at the extent local authorities can choose the tasks they want to perform.

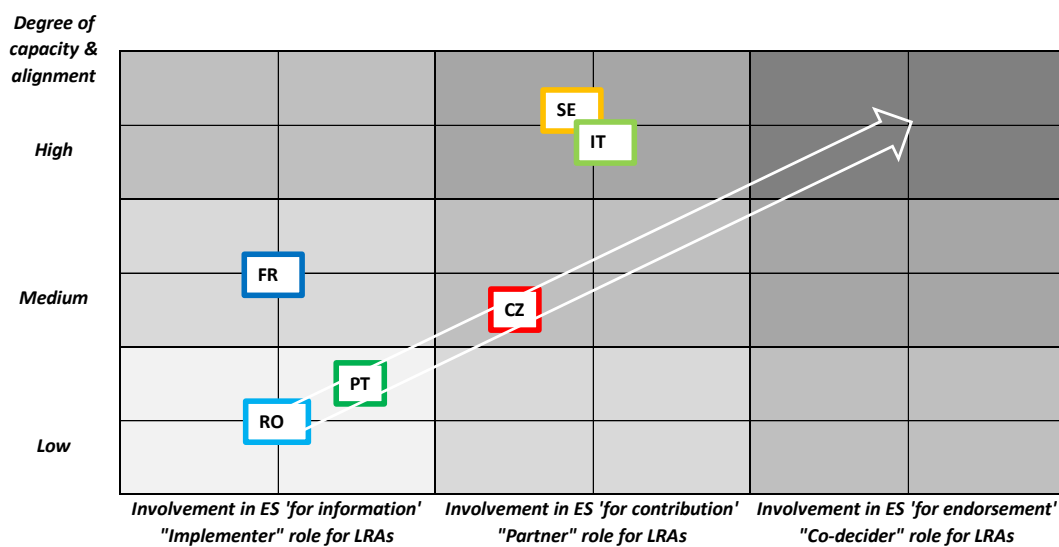
¹¹⁵ For example, ‘central or regional access’ looks at the extent to which local authorities have regular opportunities to influence policy-making of higher levels of government.

¹¹⁶ See recommendation in section 5.2 of CoR mid-term assessment of Europe 2020 Strategy.

largely transcend the above noted diversity: administrative capacity and alignment of competencies and financial resources of LRAs.

Bringing together the crucial parameters of the degree of capacity and alignment¹¹⁷ on the one hand and, on the other, the nature of the involvement and role of the LRAs in the Semester with the underlying constitutional architecture and division of powers of each country, we can establish a transferability framework. This could help those seeking to identify and pursuing in practical ways the transfer of good practices. This is illustrated in the following figure which also places the countries covered by case studies:

Figure 1: Transferability framework



The overall suggested approach on the matter of transferability is in the direction of the arrow shown in the above figure. It indicates that, generally, countries are likely to benefit from the experience and good practices gained in countries whose level is more advanced but still close enough to theirs. For instance, good practices and other lessons emanating from countries with a medium degree of capacity/alignment and partner role, such as the Czech Republic, are likely to be of relevance to countries at a less advanced level, e.g. Romania and Portugal.

¹¹⁷ The degree of administrative capacity and the degree of alignment of competencies and financial resources will not necessarily be the same but it has been beyond the scope of this study to assess them

5 Conclusions and recommendations

The study has examined current practices at country level and how the lessons from these practices can contribute towards improving the European Semester through a structured involvement of LRAs.

This chapter distils the main conclusions of the study and puts forward recommendations of relevance to the implementation of the proposed Code of Conduct on the involvement of LRAs in the European Semester.

5.1 General conclusions

The study has considered the practical experience of the involvement of LRAs in the European Semester. It has focused on the country level, i.e. practices dependent on governments, the European Commission's ESOs, the LRAs and their associations. It has placed these experiences in a broader European context and has highlighted good and bad practices and their relevance to the proposed Code of Conduct. The general conclusions of the study concerning the involvement of LRAs in the European Semester and how it can be strengthened in the context of the proposed Code of Conduct are summarised below.

The European Semester has evolved considerably since 2010 and is becoming embedded in the national processes concerning economic policy, structural reforms and the attainment of Europe 2020 objectives. Country-level coordination and consultation arrangements have also been evolving and in some Member States are becoming more inclusive; the national governments are in the driving seat but the Commission's ESOs also play increasingly an important information and facilitation role. Among these diverse coordination and consultation arrangements that are in place at country level there is a distinct absence of specific and dedicated arrangements to ensure the full involvement of LRAs.

Overall, the LRAs play a relevant role, falling short from being involved as full partners in a visible way:

- in some cases their involvement is 'for information' and their role is viewed as one of 'implementer' of policy measures;
- in other cases they are involved 'for contribution' and are recognised as partners;

- an involvement ‘for endorsement’ or ‘co-decision’ is typically the case in federal states.

Experience so far shows that when the LRAs are actively involved in the Semester, either on their own or working hand-in-hand with other government levels, ensures ground level ownership and commitment to reforms and targets and avoids inefficiencies and underperformance which has been endemic in some aspects of the Semester.

A bigger LRA contribution will be beneficial to the whole Semester. Indeed, the LRAs can and want to play a bigger role in the content of the European Semester, both at specific policy measure level and towards a longer term strategy. They have demonstrated it on the ground through their ongoing engagement in a wide range of policy fields and through their complaints to their governments when they feel excluded. This commitment of the LRAs to the European Semester has been confirmed by unanimous adoption by the CoR of the Opinion on the proposed Code of Conduct.

The CoC’s added value is that it offers a systematic reference framework and a common baseline across Member States. Its implementation will raise the involvement of LRAs throughout the EU to at least full partner level, i.e. it will lift it from ‘for information’ to ‘for contribution’ in all Member States. This is an ambitious step forward that will help maximise the LRA contribution. The level will be even higher in some countries, i.e. ‘for endorsement’ or ‘co-decision’, but raising the LRA involvement to such a level more widely is unlikely to be feasible in many non-federal unitary Member States (and is beyond the ambition of the CoC).

In terms of practicalities, the case studies show that the implementation of the CoC is feasible to achieve in a pragmatic way, within a two-year timespan, respecting country differences and the principle of subsidiarity. However, for the LRAs and their associations to be able to make substantive and valuable contributions need adequate administrative capacity and financial resources commensurate with the LRA competencies. Moreover, they need a long-term direction and broad strategic framework, such as the one provided by the Europe 2020 strategy and underpinned by the EU Cohesion policy in the period to 2020. A greater political engagement at LRA level is also an important factor for ensuring ownership and commitment.

There are plenty of relevant practices and elements envisaged for the Code that are already in place and can be supplemented or adapted and, moreover, countries can benefit from greater transferability of good practices. Adequate administrative capacity and good competencies/resources alignment, together

with the constitutional architecture and division of powers, are key parameters affecting the relevance and transferability of good practices.

5.2 Recommendations of relevance to the implementation of the Code of Conduct

National and sub-national governments can take steps to assess where they are now and how to learn from the many relevant experiences and good practices towards the implementation of the proposed CoC, and the Commission and CoR can support these efforts. A core group of appropriate actions are outlined below.

Recommendation 1: Carry out a **Semester process ‘check-up’** in each country covering:

- **Consultative arrangements**, leading to an **action plan** for establishing the proposed CoC, notably core elements 20 (a) to (d) – see Table 9;
- **Key LRA policy fields**, leading to a **road map** of LRA roles in different policy areas of CSR/NRP.

Recommendation 2: Support the implementation of the above action plan and road map through:

- **Sharing of experience and good practices** through country-level and other events, on topics such as:
 - the added-value of LRAs as partners in the Semester process;
 - the analytical level of the Semester as a means of strengthening its territorial dimension;
 - the involvement of the LRA political level;
 - the role of LRA associations;
- **Providing targeted support** (e.g. through the Commission’s ESOs) in countries where the check-up shows major gaps.

Recommendation 3: Stimulate and facilitate LRA involvement and commitment to a **longer-term strategic perspective** by:

- The Commission's ESOs and CoR supporting the LRA associations to initiate **regional/national-level debates** on long-term strategy, the role of the Semester in economic and fiscal policy coordination and its links with cohesion and sustainable development policies;
- The CoR instigating and hosting **EU-level debates** (territorial dialogue).

Annex I: Main sources of information and study consultations

Committee of the Regions, CoR mid-term assessment of Europe 2020: rethinking Europe's growth and jobs strategy

<http://cor.europa.eu/en/activities/opinions/pages/opinion-factsheet.aspx?OpinionNumber=CDR%201814/2016>

Committee of the Regions, Opinion on Improving the governance of the European Semester: a Code of Conduct for the involvement of local and regional authorities”, adopted on 11.05.2017

<http://cor.europa.eu/en/activities/opinions/pages/opinion-factsheet.aspx?OpinionNumber=CDR%205386/2016>

Committee of the Regions, Opinion on the Future of Cohesion Policy beyond 2020, adopted on 11.05.2017

<http://cor.europa.eu/en/activities/opinions/pages/opinion-factsheet.aspx?OpinionNumber=CDR%201814/2016>

Committee of the Regions, A Code of Conduct on the involvement of LRA in the European Semester, 2015

http://www.cor.europa.eu/en/documentation/studies/Documents/code_of_conduct_lras_european_semester%20-%20pdf.pdf

Committee of the Regions, Obstacles to investment at local and regional level, 2016

<http://www.cor.europa.eu/en/documentation/studies/Documents/obstacles-to-investments.pdf>

Committee of the Regions, 2017 European Semester, Territorial Analysis of the Country Reports and accompanying Communication, April 2017

<https://portal.cor.europa.eu/europe2020/pub/Documents/2017/cr-2017.pdf>

Committee of the Regions, 2017 European Semester, The involvement of the Local and Regional Authorities in the European Semester – Analysis of the 2017 National Reform Programmes, June 2017

Committee of the Regions, 2017 European Semester, Territorial Analysis of the Country-specific Recommendations, June 2017

<https://portal.cor.europa.eu/europe2020/Documents/publi-file/2017-Territorial-Analysis-of-CSRs/2017-Territorial-Analysis-of-CSRs.pdf>

Committee of the Regions, Update, Harmonisation and Future Development of the Division of Powers, 2016

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<https://rm.coe.int/1680718ef4>

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Marlène Siméon, Policy Officer - Economic, Social and Territorial Cohesion Council of European Municipalities and Regions (18.07.2017)

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Section 3.1 (Sweden case study consultations):

Kristin Ivarsson, SALAR (14.06.2017)

Leif Frenell, Prime Minister's Office (28.06.2017)

Section 3.2 (Portugal case study consultations):

Catarina Dantas Machado, European Semester Officer (14.06.2017)

João Medeiros, European Semester Officer (22.06.2017)

Rui Solheiro, Secretary General, ANMP and Landri Pinto, Head of International Department (Written contribution, 21.07.2017)

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Antonia Carparelli, European Semester Officer (06.09.2017)

Andrea Ciaffi, Director of European and International Affairs, Conference of Italian Regions (23.06.2017)

Enrico Mayrhofer, Director, EU Liaison Office Regione Toscana (16.06.2017)

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Pavlina Zakova, European Semester Officer (21.06.2017)

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Carmen Marcus, European Semester Officer (26.06.2017)

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Section 3.6 (France case study consultations):

Olivier Coppens, European Semester Officer (26.06.2017)

Pascal Gruselle, Regions de France (22.06.2017)

Annex II: Partners' agreement (Sweden)

Consultation of the social partners on the implementation of the Europe 2020 strategy.

Background

The Europe 2020 strategy clearly states that all national, regional and local authorities should implement the strategy in close collaboration with their parliaments, social partners and representatives of civil society. The Commission invites all parties and actors (e.g. national or regional parliaments, regional and / or local authorities, social partners and civil society, and last but not least the EU citizens) to help implement the strategy by acting within their respective areas of competence.

A prerequisite for the success of the Europe 2020 strategy is to involve the whole community. It is not only the responsibility of governments to act but the involvement of stakeholders, including the social partners, is an important part of the implementation of the Europe 2020 strategy at national level. National efforts are evaluated annually by the Commission in its analysis of the National Reform Programmes.

When the Europe 2020 Strategy was launched in 2010, the parties asked for increased consultation on implementation. Consultations had also been conducted regarding the Lisbon Strategy, but now a more planned one was desired. Regular discussions primarily took place between government and social partners regarding EU issues related to employment and the labour market.

In view of the importance of Europe 2020 and expressed wishes, consultations are now regular and at times relevant with regard to meetings and decisions.

Consultations are important opportunities for an exchange of information, where the Government Offices are given an opportunity to share the views of the parties, but also to inform the parties about current issues in relevant areas. In addition, consultations provide the opportunity for a common discussion on key issues.

However, there is a need to clarify the purpose of the consultations and their agendas, as well as to review the timing of the consultation.

Consultation at the political level

In addition to the regular consultation structure for the Europe 2020 Strategy, the Prime Minister convenes annually consultations for the Spring Summit in February-March.

The EU ministers invite the social partners for consultation once a year.

The meeting is aimed at

- providing an opportunity to discuss overall views on the Annual Growth Report (AGS), the implementation of the Europe 2020 strategy in Sweden, as well as the challenges the strategy will respond to.

When: Second half of December everything. January (after COM presented AGS).

Consultation at official level

The Government Council (SB EU Office) invites the parties for consultation at the official level at least three times a year.

1. Spring Summit on NRP

The meeting is aimed at

- discussing work on the National Reform Program (NRP); The accounting of the implementation of the strategy, and the part / contribution of the parties in this work.

When: First half of February (before work on NRP begins).

2. Summer meeting on the recommendations

The meeting is aimed at

- discussing the recommendations to Sweden and how Sweden can respond to the recommendations and strategy objectives.

When: First half of June. (When COM proposed Country-specific Recommendations).

3. Autumn meeting on implementation

The meeting is aimed at

- discussing how national policy responds to the recommendations and strategy objectives.

When: October. (After presentation to Parliament)

Guidelines for consultations

- Representatives from the Swedish business community, LO, SACO, TCO, SKL, the Swedish Employers' Office and Business Owners are invited to the consultations.
- The Government Offices, in addition to the Government Council, are represented by officers from the Ministries of Finance, Labour, Social Affairs and Trade. Depending on the issues that may be relevant at each specific occasion, the representation from the Government Offices may be supplemented by participants from other ministries.
- Before each meeting, an agenda will be sent to the parties. There will be reminders of the purpose of the meeting and the main topics for discussion.
- Standing items on the agenda should be:
 - Information on the implementation of the strategy (e.g. feedback from bilateral discussions with COM, but also information from the parties.)
 - Current developments in the EU
 - Any other questions
- The parties should be invited to inform in good time if they wish to raise another matter, especially if this requires special preparation / special participation by the government office.
- In due time before the meeting, relevant documents will be sent to the parties.

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ISBN 978-92-895-0946-6
doi:10.2863/25901

QG-05-17-008-EN-N



**European Committee
of the Regions**

Created in 1994 following the signing of the Maastricht Treaty,
the European Committee of the Regions is the EU's assembly of 350 regional and
local representatives from all 28 Member States, representing over 507 million Europeans.

Rue Belliard/Belliardstraat 101 | 1040 Bruxelles/Brussel | BELGIQUE/BELGIË | Tel. +32 22822211
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