

EUROPEAN UNION



**Committee of the Regions**

# **A Code of Conduct on the involvement of the Local and Regional Authorities in the European Semester**

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# Abbreviations

AGS	Annual Growth Survey
CEMR	Council of European Municipalities and Regions
CoC	Code of Conduct
CoR	Committee of the Regions
CP	Cohesion policy
CPMR	Conference of Peripheral Maritime Regions of Europe
CPR	Common Provisions Regulation
CR	Country Report
CSR	Country-specific Recommendations
EC	European Commission
EFSI	European Fund for Strategic Investments
EMU	Economic and Monetary Union
EP	European Parliament
ESIF	European Structural and Investment Funds
GDP	Gross Domestic Product
LRA	Local and Regional Authorities
MIP	Macroeconomic Imbalances Procedure
MLG	Multi-level Governance
MS	Member States
NRP	National Reform Programme
OP	Operational Programme
PA	Partnership Agreement
R&D	Research and Development
SGP	Stability and Growth Pact
ToR	Terms of Reference





# **Executive Summary**

## **Introduction**

This report considers how a new Code of Conduct could help ensure the active and structured involvement of Local and Regional Authorities (LRA) in the European Semester. The 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 evolving 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 (CSR) 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 five ‘editions’ so far and the sixth, known as ‘the 2016 European Semester’, is starting in November 2015.

## **Nature and extent of current LRA involvement in the European Semester**

A territorial dimension is slowly but steadily emerging in the European Semester in terms of territorial issues raised in the Country Reports (CR) and territory-related CSR. There is also a higher visibility of territorial issues in the National Reform Programmes (NRP).

Below the surface, there are challenging issues as far as the LRAs are concerned. There are various shortcomings that represent impediments for LRA involvement but also some good practices and opportunities for enhancing territoriality and the role of the LRAs.

From the perspective of the LRAs the main concerns fall into three groups. 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.

## **Enhancing the involvement of LRAs in the European Semester**

Embedding the principle of partnership in the European Semester and strengthening the involvement of LRAs can make a crucial contribution to its effectiveness and the achievement of the EU 2020 goals.

The great diversity at national and sub-national level of institutional arrangements, competences, traditions, resources, etc. means that it is not feasible to introduce a single model, even if it can be based on best practices. Improvements should be based on the principles of wide applicability throughout the EU and of general benefit to the Semester as a whole, taking into account the efforts of the Commission and other institutions for streamlining and revamping the Semester process.

A range of improvements have been identified by the study, some of which have already been put forward. They concern the territorial dimension of the analyses and policy recommendations included in the Semester process and the opening up in a structured and transparent way of the Semester process to LRAs throughout the EU, in line with the principles of partnership and multi-level governance.

These improvements should be underpinned by a formal Code of Conduct or other forms of agreement between all relevant institutions and a package of appropriately resourced actions (publication of sub-national analyses, EU-level debates on territorial issues with LRA participation, in-country consultative arrangements involving the LRAs, etc.), as well as a strengthening of the administrative capacities of the LRAs.

The need to involve and ensure the commitment of multiple actors, to make various adaptations to existing arrangements and to address capacity issues will inevitably mean that it will not be realistic to aim at implementing the above and other similar proposals in a single step. Therefore, it will be more appropriate to envisage an iterative process, over several Semester cycles that will involve many small steps in the direction of enhancing the territoriality of the Semester and embedding the principle of partnership. Many of the required actions can be undertaken through the adaptation of existing structures or activities such as the Open Days, the reactivation of the territorial dialogue, the work of European Semester Officers and the use of readily available data from Eurostat and other sources.

Such a process should be broad enough to encompass: getting the dialogue going with all relevant institutions; establishing a broad agreement on the principles regarding what the Code should be and how it should be applied; adapting existing elements to strengthen the territorial dimension and the role of LRAs in the Semester; fixing key capacity constraints; experimenting with new ideas; and plugging into major EU initiatives, such as Stage 2 of the roadmap foreseen in the Five Presidents' Report and the new EU initiative "Next steps for a sustainable European future".

## **The need for a Code of Conduct on LRA involvement in the European Semester**

A Code of Conduct is needed to ensure that the territorial dimension is accorded appropriate weight at EU level and in all Member States (MS), and that a structured and distinct contribution by LRAs is possible at the relevant stages of the European Semester process. The suggested improvements and corresponding provisions of a Code of Conduct will require the support of several EU institutions. Therefore, it is important that the Code of Conduct is endorsed by the European Commission (EC), the European Parliament (EP) and the Committee of the Regions (CoR).

It will be advantageous to place the Code of Conduct on a legal basis, crystallising and recognising the territorial dimension and the application of the partnership principle and the involvement of the LRAs in the European Semester process. However, no directly relevant legal basis is currently available and the best course of action in the short term would be an inter-institutional agreement between the Commission, the Parliament and the CoR. The provisions of the Code that apply to Member States should be reflected in the Commission's guidance on NRPs and in the CSRs.

The contents of the Code of Conduct should be two-fold covering, first, the territorial dimension of the analytical and policy aspects of the Semester and, second, the application of the partnership principle in the Semester at EU and country level. An appropriate title, reflecting these contents, would be: "Code of Conduct on Partnership and Territoriality in the European Semester".

The main proposals that can inform the specific contents of the Code of Conduct are summarised below.

**MAIN PROPOSALS REGARDING THE CONTENTS OF A “CODE OF CONDUCT ON PARTNERSHIP AND TERRITORIALITY IN THE EUROPEAN SEMESTER”**

**Proposals concerning the territorial dimension of the analytical and policy aspects of the European Semester**

**The Annual Growth Survey (AGS)** should be accompanied by a supplementary sub-national level analysis.

**The Country Reports (CR)** should include a chapter on regional disparities, at least in the case of countries with: large regional GDP disparities and/or a wide spread between different types of area in the EU 2020 index and/or persistent multi-sector disparities.

**The National Reform Programmes (NRP)** should address any regional disparities and other territorial issues raised in the Country Reports, review progress at sub-national level towards EU 2020 targets and offer a territorially integrated approach in the case of multi-faceted shortcomings.

**The Country-specific Recommendations (CSR)** should distinguish policy measures with a territorial dimension, stemming from territorial issues in the Country Reports and National reform Programmes, and should explain the role of LRAs in the implementation of the recommendations.

Some of the **MIP scoreboard** indicators should be regionalised and should gradually be supplemented with social, environmental and territorial indicators.

**Proposals concerning the application of the partnership principle in the European Semester**

The **CoR** should organise **EU level debates** with participation open to LRA representatives at AGS stage, possibly as part of the annual Open Days, and at draft CSR stage.

The **CoR** should hold **plenary debates** and pass resolutions on the territorial dimension of the Semester on the AGS and on the CSR mirroring the EP.

The **CoR** should organise a **territorial dialogue**, in conjunction with the Commission, with a view to the spring meeting of the European Council.

The **EP** should provide a forum for an open debate on the territorial aspects of the Semester as part of the **European Parliamentary Week**.

The **EC** should propose the establishment of a ‘**Structured Dialogue**’, on the lines of ESIF.

The **MS** should organise **permanent partnership arrangements** pertaining to the Semester and these should cover: identifying the LRAs and other relevant partners; specifying the structure, its remit, activities and timing; and notifying the arrangements to the Commission.

The **MS** should have a **two-way dialogue** with the partners at all relevant stages of the European Semester, through the above standing arrangements.

The **EC** should **support and facilitate the dialogue** between partners through the European Semester Officers, fact finding visits by EC country teams, etc.

The **LRAs** and other partners should be **involved in all key stages**: reviewing the CR and drawing conclusions on policy responses to its analyses; preparing the NRP; reviewing and responding to draft CSR; and implementing relevant policy measures as in the NRP and CSR.



# 1 Introduction

This assignment considers how a new Code of Conduct could help ensure the active and structured involvement of LRAs in the European Semester.

Building on previous reports and statements of the CoR, it is based on an extensive review of documentary information and 17 interviews with stakeholders, including EC officials, LRA associations and academic researchers.

The report reviews the nature and extent of the current involvement of LRAs in the European Semester and the specific weaknesses of the Semester concerning territoriality and LRA involvement.

It discusses ways of embedding the principle of partnership and enhancing the involvement of LRAs in the Semester, including a Code of Conduct, and the benefits of such changes.

It finally addresses the issue of the status and content of the Code of Conduct and its place in the architecture of the Semester and Europe 2020, and offers a concise and indicative text for such a Code.

## 1.1 Objectives and scope

This assignment considers how a new Code of Conduct (CoC) could help ensure the active and structured involvement of Local and Regional Authorities (LRA) in the European Semester.

The Terms of Reference (ToR) of the assignment envisage that “building on the ‘Blueprint for a renewed Europe 2020 strategy from a territorial perspective’ and the ‘Athens Declaration’ the study will investigate how, if introduced, a new Code of Conduct on partnership in the European Semester could ensure the active involvement of LRAs in the European Semester, in the light of the principles of partnership and Multi-level Governance (MLG).”

The ToR further envisage that the output of the study will be a report which, besides references and argumentation, includes a concise draft Code of Conduct on partnership in the European Semester.

The study was commissioned by the European Committee of the Regions (CoR) in August 2015. It was largely carried out in September and October 2015, with the Draft Report completed at the end of October 2015 and the final manuscript on 20 November 2015.

## 1.2 Background

The European Semester and the Europe 2020 strategy occupy a central position in European economic, fiscal and investment policy. The CoR has been actively monitoring and assessing the relevant processes and the progress that has been achieved so far. Major contributions include the ‘CoR mid-term assessment of Europe 2020’<sup>1</sup>, the ‘Blueprint for a revised Europe 2020 strategy’<sup>2</sup> and, more recently, the ‘Declaration on the Implementation of the 2015 European Semester’<sup>3</sup> and the ‘6<sup>th</sup> Monitoring Report on Europe 2020 and the European Semester’<sup>4</sup>.

The CoR’s position on the European Semester and Europe 2020 is well researched and fully documented and provides a key reference point for this study. The CoR has consistently expressed concern about the inadequately developed territorial dimension in the European Semester and the Europe 2020 strategy, and the weak application of the partnership and MLG principles. In these reports and declarations the CoR has also put forward specific proposals for addressing these issues and for contributing in the overall efforts of the relevant European institutions to improve the Semester and its effectiveness.

The partnership principle has taken roots across EU policymaking and is already embedded in various forms in different areas, from rural development policy<sup>5</sup> to development cooperation<sup>6</sup>. It is already well established in Cohesion policy (CP), notably in the Partnership Agreements (PA) between the European Commission (EC) and Member States (MS) for the 2014-2020 period. The involvement of LRAs and other relevant partners in the preparation and implementation of Partnership Agreements and Operational Programmes (OP) is now regulated on the basis of the Common Provisions Regulation<sup>7</sup> (CPR) for the five EU Funds by the European Commission’s ‘Code of Conduct on partnership in the framework of the ESIF’<sup>8</sup>. The experience gained from its introduction is another reference point for this study.

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<sup>1</sup> <https://portal.cor.europa.eu/europe2020/Documents/CoR%20Europe%202020%20mid-term%20assessment%20report.pdf>.

<sup>2</sup> <http://cor.europa.eu/en/documentation/studies/Documents/Blueprint-Revised-Europe-2020-strategy.pdf>.

<sup>3</sup> <http://cor.europa.eu/en/news/Documents/declaration-implement-2015-EU-semester.pdf>.

<sup>4</sup> <http://portal.cor.europa.eu/europe2020/pub/Documents/Monitoring%20Report%202015.pdf>.

<sup>5</sup> [http://ec.europa.eu/clima/policies/adaptation/what/docs/swd\\_2013\\_139\\_en.pdf](http://ec.europa.eu/clima/policies/adaptation/what/docs/swd_2013_139_en.pdf) (p. 12).

<sup>6</sup> "EU Code of Conduct on Division of Labour in Development Policy" <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=URISERV:r13003>.

<sup>7</sup> Regulation (EU) No 1303/2013.

<sup>8</sup> Delegated Regulation on the European code of conduct on partnership in the framework of the European Structural and Investment Funds (No 240/2014).



## 1.3 Methodology

The overall approach of the study has been guided by the ToR. A detailed methodology and work plan were presented in an Inception Report which was agreed with the CoR. The main tasks undertaken were:

- a. Desk research, including a review of documentation concerning the European Semester and the involvement of LRAs, and other relevant literature.
- b. Additional information collection through interviews with stakeholders (practitioners).
- c. Analysis of information obtained and conclusions, and validation through interviews with stakeholders (scholars).
- d. Development of the contents of a Code of Conduct on the involvement of LRAs in the European Semester and preparation of the study report.

The **main documentary sources of information** used in the desk research were the various relevant documents of the CoR, European Commission and other European institutions, as summarised below and listed in Section 7:

- Documentation regarding the CoR position on Europe 2020 and the European Semester, including the involvement of LRAs.
- Code of Conduct on European Structural and Investment Funds (ESIF) partnership and related documentation concerning the implementation of the partnership principle in the context of the ESIF.
- Documentation on, and analyses of, current level of involvement of LRAs in the European Semester, including the 2015 milestone documents<sup>9</sup>.
- Other relevant documentation (EC, European Parliament (EP), national and LRA sources, etc.).

In total, 17 interviews with stakeholders were conducted, mostly face-to-face in Brussels. They included representatives of European level and national level LRA organisations, officers of relevant Directorates General of the European

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<sup>9</sup> ‘Territorial analysis of the 2015 Country-specific Recommendations’ and ‘The role of Local and Regional Authorities in the implementation of Europe 2020 – Analysis of 2015 National Reform Programmes’.

Commission including European Semester Officers, national officials, and academic researchers. They are listed in Section 8.

## **1.4 Structure of this report**

The main sections of this report are, as follows:

- Section 2 presents the main features of the European Semester and its evolution and general shortcomings.
- Section 3 reviews the nature and extent of the current involvement of LRAs in the European Semester and the specific shortcomings concerning LRA involvement.
- Section 4 discusses ways of enhancing the involvement of LRAs in the Semester and the benefits of such changes.
- Section 5 considers the justification for introducing a Code of Conduct on the involvement of LRAs in the European Semester and examines its potential status, content and appropriate accompanying measures.
- Section 6 contains the concise text Code of Conduct provisionally entitled “Code of Conduct on Partnership and Territoriality in the European Semester”.

## 2 The European Semester: evolution and challenges

The European Semester refers to 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. There have been five ‘editions’ so far and the sixth (“the 2016 European Semester”) is starting in November 2015.

The European Semester is a relatively new process and is still evolving in response to a number of challenges, hence the efforts at ‘streamlining’ in the 2015 cycle and an expected ‘revamping’ in the 2016 cycle.

Key remaining challenges are:

- The very broad policy coverage and heterogeneity in time horizons between its different strands which are difficult to bridge and leave the Europe 2020 strategy and cohesion policy aspects marginalised.
- The limited extent to which the Country-specific Recommendations are implemented, which undermines the effectiveness of the whole Semester.
- The weak ownership and engagement in the process at national and sub-national level, including the sub-optimal engagement of LRAs as partners in a permanent and structured way.

### 2.1 The European Semester process and its evolution

The European Semester is the EU’s annual cycle of the economic and budgetary policy coordination through guidance and surveillance. It has emerged mostly in response to the crisis, although some early proposals for “greater co-ordination of economic policies and monetary cooperation” go back to 1969<sup>10</sup> and one of its main pillars, the Stability and Growth Pact (SGP) was adopted in 1997. The legal basis of the European Semester has developed rapidly since its introduction in 2011 and some of the provisions apply only to the Eurozone countries. The timeline of the reforms is summarised in Box 1, below.

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<sup>10</sup> The ‘Barre Report’, followed by the ‘Werner Plan’.

***Box 1. EU economic governance - Timeline of reforms and key points***

- **The Stability and Growth Pact** (1997) underpins the whole system with two golden rules on deficit (3%) and sovereign debt (60%).
- **The Six-Pack** (2011) introduced mainly to reinforce the compliance mechanisms of the SGP.
- **The Fiscal Compact** (2013), part of the Treaty on Stability, Coordination and Governance, is an inter-governmental commitment from Eurozone countries to comply with the measures of the Six-Pack.
- **The Two-Pack** (2013) introduced the power of the European Commission to evaluate national draft budgets and reinforced policy coordination for Member States against Europe 2020 strategy objectives.

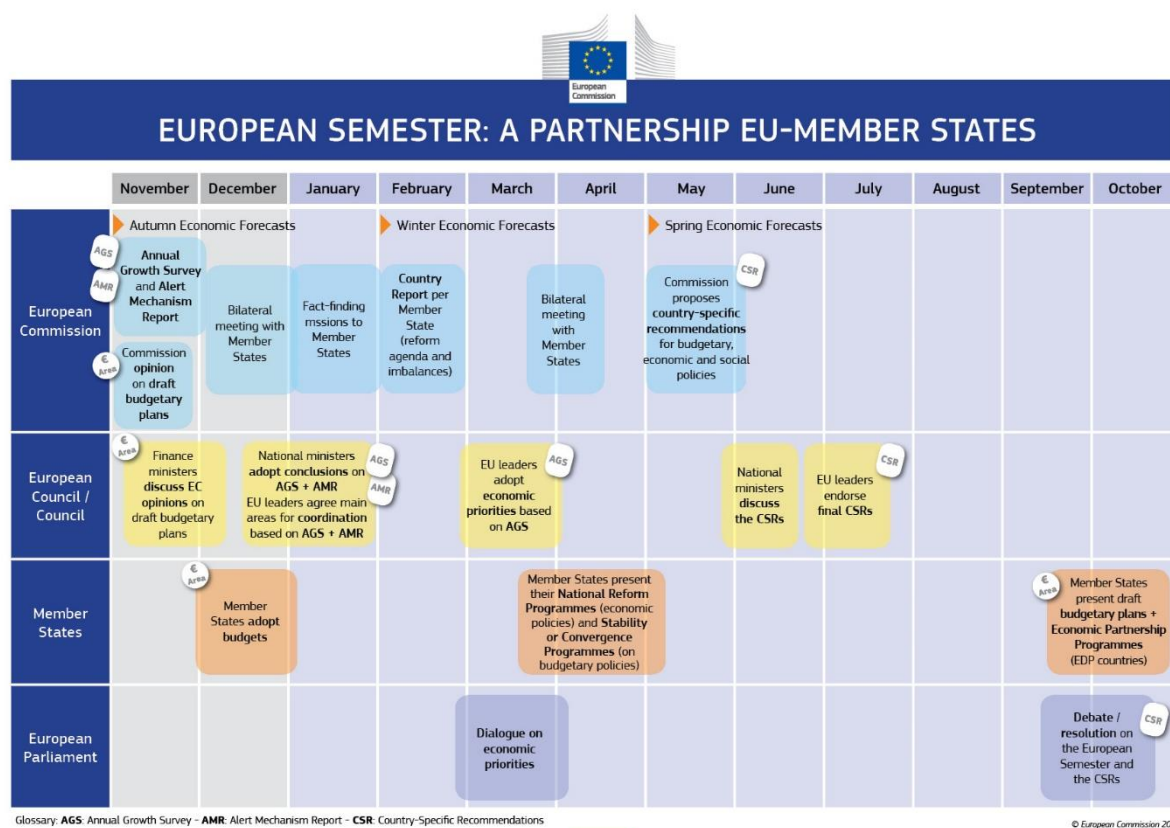
Since 2011 the Semester has been the main EU governance mechanism for economic policy coordination, covering both fiscal policy (ruled by the Stability Pact) and structural policies (Europe 2020, cohesion policy, structural reforms).

The Semester starts every year in November when the Annual Growth Survey (AGS) is published by the European Commission. The AGS provides general guidelines for Member States' National Reform Programmes (NRP) and Stability or Convergence Programmes<sup>11</sup> which are submitted in the spring. This forms the basis for the EU to set out Country-specific Recommendations (CSR) by the Commission in May/June covering all relevant policy areas – fiscal, macro-economic and structural reforms – which are then adopted by the ECOFIN Council in July after extensive consultation and endorsement by the European Council (see Figure 1 below).

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<sup>11</sup> Stability Programmes for Eurozone countries and Convergence Programmes for other EU Member States.

Figure 1. The European Semester



Source: European Commission, 2015.

There have been five ‘editions’ so far and the sixth (“the 2016 European Semester”) is starting in November 2015. The whole process is still evolving. In the 2015 cycle much emphasis was placed on ‘streamlining’ the Semester. This included the disconnecting of the analytical part of the Staff Commission Document that accompanies the Country-specific Recommendations and issuing it much earlier in February/March as a Country Report<sup>12</sup> for each Member State. The dialogue between the EU and the national level has also intensified through bilateral meetings in December and March/April, fact-finding missions to Member States, and proactive political outreach.

To strengthen the links between the EU and Semester partners the Commission has created the function of European Semester Officers within its representation offices in all Member States. Moreover, country teams have been established inside the Commission with officials from all relevant DGs, in order to improve internal coordination.

<sup>12</sup> Including also the In-depth Review of the Prevention and Correction of Macro-economic Imbalances.

Longer term changes have already been put forward in June 2015 in the Five Presidents' Report<sup>13</sup> which proposed a more integrated European Semester “structured into two successive stages distinguishing more clearly between a European moment and a national moment”. Stage 1 (“Deepening by doing”) of this process is already in progress and a new package of measures was adopted by the Commission in October 2015<sup>14</sup> entailing a revised approach to the European Semester, including enhanced democratic dialogue and further improvements to economic governance.

## 2.2 Key challenges facing the European Semester

As indicated above, the Semester is evolving and there have been various changes addressing its shortcomings and more such initiatives have been announced.

After five cycles and several refinements the Semester is on its way to become a well-established and very important policy coordination mechanism. Its legitimacy and purpose are fully accepted by all sides and its basic ‘machinery’ is in place and functioning but there are still considerable challenges regarding its effectiveness and its appeal at different levels throughout the EU.

Within the scope of this report some general challenges stand out.

First, the breadth and heterogeneity of the Semester is considerable stretching from fiscal policies (largely associated with budgetary discipline and ‘austerity’ throughout the period in which the Semester has been in existence) to the long-standing cohesion policy/ESIF plus the new European Fund for Strategic Investments (EFSI)<sup>15</sup> which represents ‘investment’. Such policy areas have different time horizons, focus and policy making traditions. Bridging, for instance, the tight annual budgetary cycle with the seven-year horizon of ESIF and its partnership-based planning and management traditions is challenging enough.

Overall, the place of Europe 2020 representing longer-term and *a priori* common goals is relatively marginal<sup>16</sup> in the Semester process, as shown in Figure 2, below. This is underlined by the level of awareness of the

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<sup>13</sup> [http://ec.europa.eu/priorities/economic-monetary-union/docs/single-market-strategy/factsheet-revamp-semester\\_en.pdf](http://ec.europa.eu/priorities/economic-monetary-union/docs/single-market-strategy/factsheet-revamp-semester_en.pdf) & [http://ec.europa.eu/priorities/economic-monetary-union/docs/5-presidents-report\\_en.pdf](http://ec.europa.eu/priorities/economic-monetary-union/docs/5-presidents-report_en.pdf).

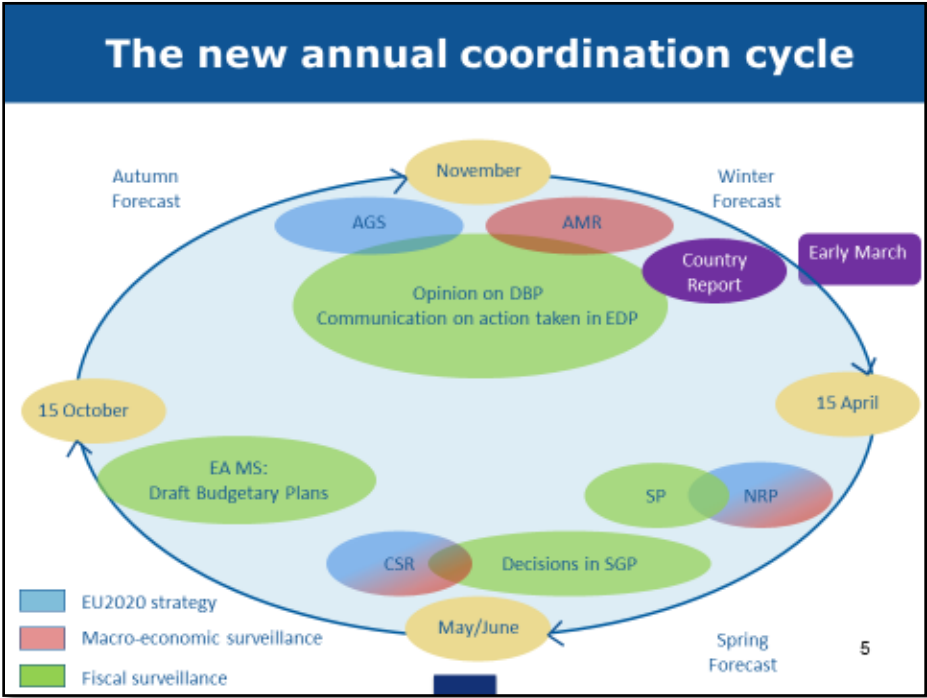
<sup>14</sup> [http://europa.eu/rapid/press-release\\_IP-15-5874\\_en.htm](http://europa.eu/rapid/press-release_IP-15-5874_en.htm).

<sup>15</sup> <http://ec.europa.eu/priorities/jobs-growth-investment/plan/>.

<sup>16</sup> The AGS 2015 (p. 18) describes the European Semester and adds that it “... also serves to implement the Europe 2020 strategy”.

Semester/Cohesion policy links which is low “outside the cohesion policy area”<sup>17</sup>, a point acknowledged also by the Council<sup>18</sup>.

Figure 2. The European Semester cycle<sup>19</sup>



Second, the very limited extent to which the Country-specific Recommendations are implemented represents a major challenge. The Commission’s own assessment shows that only 12% of CSRs are fully or substantially implemented and for 41% ‘some progress’ has been reported (see Figure 3). This is a fundamental weakness of the Semester which, according to the AGS 2015, “has put its effectiveness into question”<sup>20</sup>.

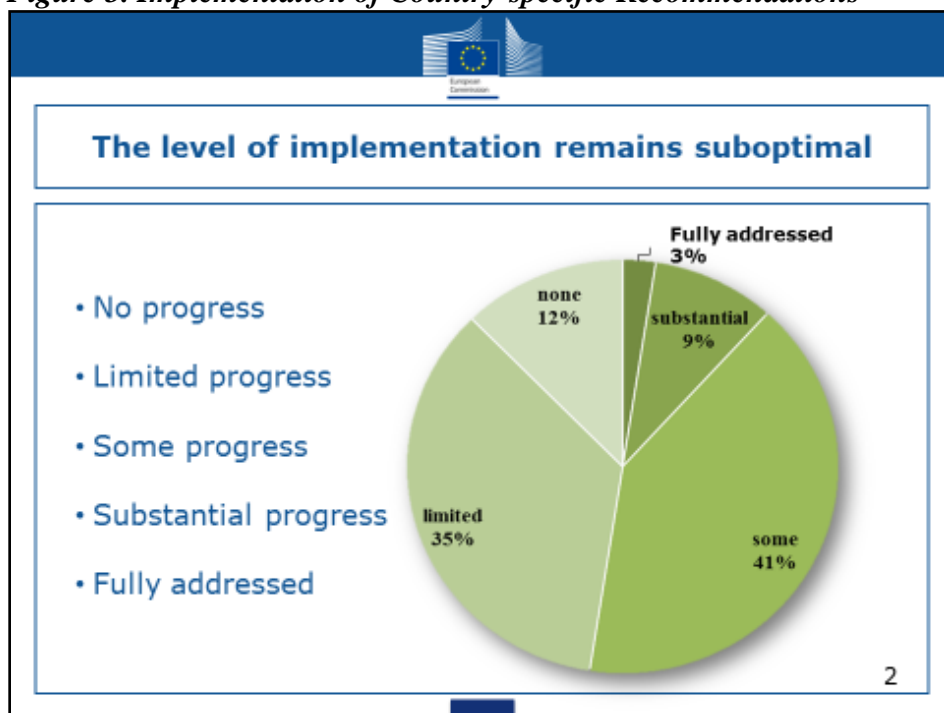
<sup>17</sup> Visibility of cohesion policy in the context of debates related to the European Semester (Section 3.2 of EP study ‘The cohesion policy dimension of the implementation of the Europe 2020 Strategy’, June 2015).

<sup>18</sup> “More effective progress towards the Strategy’s objectives could be achieved through ensuring clearer and more specific links with the European Semester” (Synthesis Report by the Presidency on Europe 2020 strategy mid-term review (10.12.2014).

<sup>19</sup> Presentation by Steven Engels, Open Days Workshop, October 2015.

<sup>20</sup> AGS 2015, p. 18.

**Figure 3. Implementation of Country-specific Recommendations**



Third, the weak engagement in the process at national and sub-national level, presents a broader challenge for the Semester. Strengthening ownership and accountability are seen as of great importance by the Commission. The drive for an “increased involvement of national Parliaments, social partners and stakeholders”<sup>21</sup> has a general appeal and is supported by the European Parliament, the CoR and more widely.

This challenge applies to a great extent to the involvement of LRAs. It is generally recognised that “national and regional authorities have a key role to play”<sup>22</sup>. Indeed two of the four initiatives in the 2015 AGS regarding the streamlining and reinforcing of the Semester were of relevance to LRAs, namely: enhancing the multilateral nature of the process; and opening up the process and increasing engagement with other actors.

The CoR<sup>23</sup> has stressed that the LRAs should be involved as partners, in a permanent and structured way, a view strongly supported by the Parliament<sup>24</sup>, and has made specific proposals regarding the European Semester such as that:

<sup>21</sup> AGS 2015, p.17.

<sup>22</sup> AGS 2015, p.7.

<sup>23</sup> CoR, ‘Athens Declaration’ and ‘Blueprint for a revised Europe 2020 Strategy’, 2014.

<sup>24</sup> The EP Report on cohesion policy and the review of the Europe 2020 strategy (2014/2246(INI)), Committee on Regional Development, Rapporteur: Fernando Ruas, 30.09.2015 suggested “that the commitment by LRAs and stakeholders in the Europe 2020 strategy project should be renewed in the form of a pact between those partners, the Member States and the Commission, in order to ensure ownership and participation and that a code of conduct similar to the one on partnership, introduced by cohesion policy 2014-2020, should be adopted”.



- the NRPs should be designed and implemented by all levels of government in partnership with one another; and
- the CSRs should assess the evolution and causes of regional disparities, addressing specific recommendations for local and regional authorities.

Specific issues pertaining to the involvement of LRAs in the European Semester are considered in more detail in the following section.



## 3 Nature and extent of current LRA involvement in the European Semester

A territorial dimension is slowly but steadily emerging in the European Semester in terms of territorial issues raised in the Country Reports and territory-related Country-specific Recommendations. There is also a higher visibility of territorial issues in the National Reform Programmes.

Below the surface, there are challenging issues as far as the LRAs are concerned. There are various shortcomings that represent impediments for LRA involvement but also some good practices and opportunities for enhancing territoriality and the role of the LRAs.

The main issues from the perspective of the LRAs fall into three groups:

- Inadequate territorial analysis: the European 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.
- Insufficient territorial focus and LRA involvement in policy measures: NRPs and CSRs fail to recognise that many of the policy measures envisaged concern territory-related issues and very often depend on the active involvement of LRAs to succeed.
- Inadequate consultation: The partnership consultation arrangements in place for the European Semester are vague and weak, and compare unfavourably with the longer established arrangements under the cohesion policy which have a formal regulatory backing, apply effectively in all Member States and define clearly a role for the LRAs as partners.

### 3.1 The territorial dimension and current state of involvement of LRAs

A general picture can be established regarding the territorial dimension in the European Semester and the involvement of LRAs in the Semester process, from a systematic analysis of the NRPs, Country Reports (CR) and CSRs. Such an analysis has been recently published<sup>25</sup> by the CoR for the 2015 Semester and Europe 2020, and has allowed comparisons with previous cycles and indicative trends. The main points of this analysis, undertaken from a territorial perspective, are summarised below.

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<sup>25</sup> <http://portal.cor.europa.eu/europe2020/pub/Documents/Monitoring%20Report%202015.pdf>.

### **3.1.1 National Reform Programmes**

The analysis of the 2015 NRPs has covered references in the NRP documents to the involvement of LRAs in preparing and implementing NRPs.

The picture of the involvement of LRAs in the preparation of NRPs is patchy with only six countries (AT, DE, DK, IE, PL, PT) making a ‘strong and specific reference’ to the representation of LRAs in the NRP preparation process and providing tangible examples, such as working groups, conferences, while eight countries did not mention at all the role of LRAs.

By contrast, a large majority of countries make an explicit reference to the role of LRAs in implementing the NRPs. This is mostly in connection with labour market policies, social inclusion and health care. Substantial references are also included by 20 countries on the role of LRAs in implementing the Europe 2020 strategy, especially in the policy areas of social inclusion, renewable energy and climate action.

The territorial dimension in the 2015 NRPs was assessed by reference to three main aspects: territorial challenges or needs; impacts; and policies relevant for specific territories. The assessment found that although the majority of NRPs include a territorial dimension, there are considerable variations and only ten countries score highly. In the same assessment the role of multilevel cooperation, partnership and governance scored well in the case of six countries.

Bringing the different aspects together, the assessment arrived at an aggregate score regarding the visibility of involvement of LRAs and other territorial issues in the 2015 NRPs. This shows that half of the EU countries made territorial issues highly visible in their NRPs with eight of them falling into the top scoring category: AT, CZ, DE, ES, EL, IE, RO, SE.

Overall, a comparison with the NRPs issued in the 2011 to 2014 period shows that the territorial perspective has been gaining ground.

### **3.1.2 Country Reports and Country-specific Recommendations**

In 2015 all<sup>26</sup> Country Reports raised territorial issues. In most cases they related to public administration, administrative capacity and management of EU funds, and to issues relating to the labour market.

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<sup>26</sup> 27 Country Reports. No Country Report was published for Greece.

Practically all countries also received territory-related Country-specific Recommendations in similar policy fields as those covered by the Country Reports. The largest groups of CSRs concerned:

- labour market, education, social policies, demography, long term care and housing (40% of CSRs);
- modernisation of public administration, administrative capacity, multilevel governance, distribution of competencies and management of public finances (27% of CSRs);
- competitiveness, investment, growth and jobs strategies (15% of CSRs).

The general picture emerging from the assessment of CRs and CSRs confirms that all EU countries have an inherent territorial dimension and shows that such dimension is also emerging in the European Semester.

## **3.2 Specific issues from the LRA perspective**

Besides the ‘visibility’ of LRA involvement and territorial issues in the Semester documents which were outlined above, the study explored the relevant issues more specifically through desk research and a series of interviews (‘study consultations’). This research has pointed out a number shortcomings in various aspects of the Semester some of which represent impediments for the involvement of LRAs and for addressing territorial challenges and impacts. There have also been other instances where good practices and opportunities for enhancing the role of LRAs and territoriality have been noted. These issues fall into three main groups concerning territorial analysis, policy focus and consultation arrangements, and are considered below.

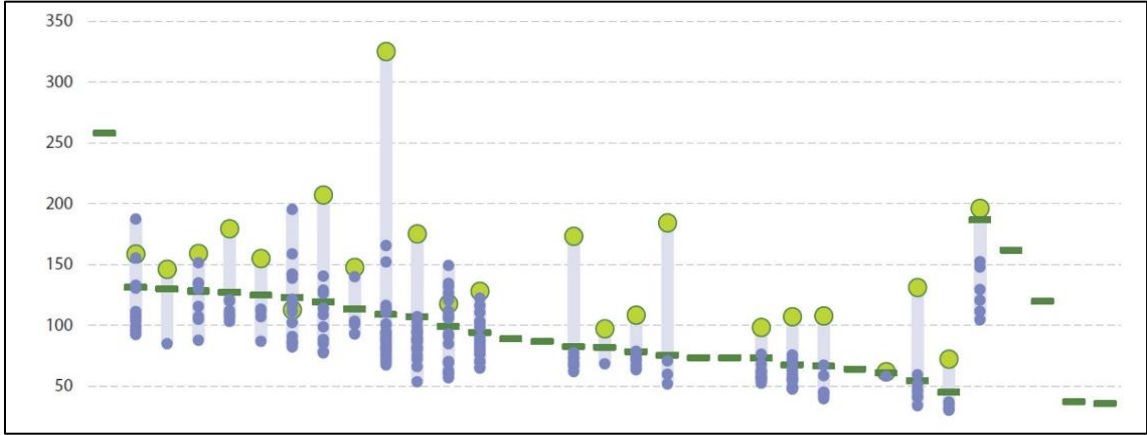
### **3.2.1 Inadequate territorial analysis**

A strong criticism of the Semester is that it is ‘spatially blind’. The study consultations have pointed out the lack of territorial analyses in milestone documents which according to most of the stakeholders interviewed is inexplicable, in view of the known major disparities which are well documented by the EU.

The disparities relate to both socio-economic and other needs and to policy performance. For instance, regional differentials in Gross Domestic Product (GDP) per capita show a wide spread in many countries, often greater than two to one (see Figure 4, below). The differences in performance towards the EU

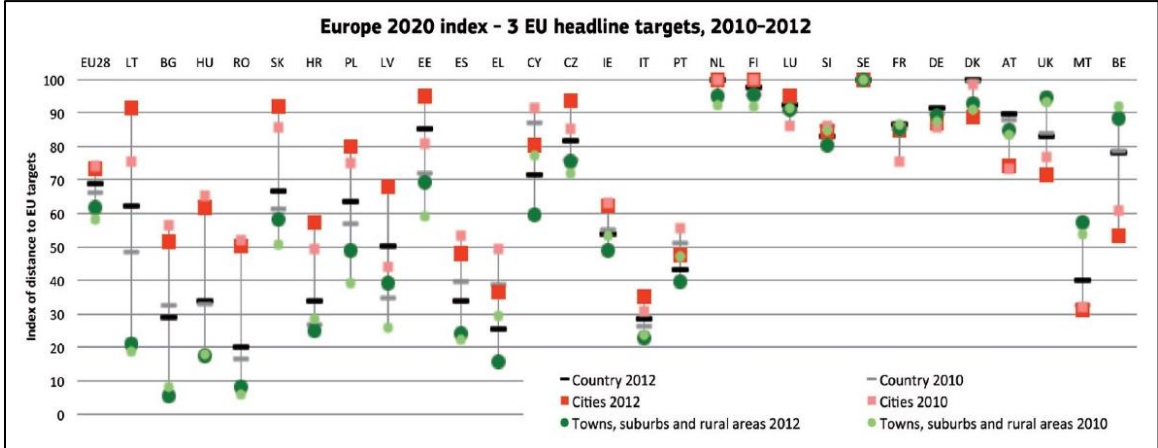
2020 targets also vary considerably between cities and towns/rural areas, especially in EU-13 countries (see Figure 5, below).

**Figure 4. Regional disparities in gross domestic product (GDP) per inhabitant<sup>27</sup>**



Source: Eurostat regional yearbook 2015<sup>28</sup>(p. 126)

**Figure 5. The Europe 2020 index by DEGURBA under EU targets<sup>29</sup>**



Source: Europe 2020 Index<sup>30</sup>(p.13).

Without an analytical territorial input at the beginning of the process there are no foundations for addressing territorial issues and territory-related policy measures at later stages. The territorial disparities are well documented, including the ‘Eurostat regional yearbook 2015’<sup>31</sup>, whose publication nearly coincides with the launch of the annual Semester cycle, the ‘Europe 2020 index’, the ‘Cohesion Reports’, etc. Therefore, this could be seen as an issue of lack of coordination and knowledge sharing.

<sup>27</sup> in purchasing power standard, by NUTS level 2 region (% of the EU-28 average, EU-28 = 100).  
<sup>28</sup> Eurostat regional yearbook 2015 <http://ec.europa.eu/eurostat/documents/3217494/7018888/KS-HA-15-001-EN-N.pdf/6f0d4095-5e7a-4aab-af28-d255e2bcb395>.  
<sup>29</sup> 100 = meets or exceeds all targets, 0 = very far removed from all targets.  
<sup>30</sup> [http://ec.europa.eu/regional\\_policy/en/information/publications/regional-focus/2015/the-europe-2020-index-the-progress-of-eu-countries-regions-and-cities-to-the-2020-targets](http://ec.europa.eu/regional_policy/en/information/publications/regional-focus/2015/the-europe-2020-index-the-progress-of-eu-countries-regions-and-cities-to-the-2020-targets).  
<sup>31</sup> <http://ec.europa.eu/eurostat/documents/3217494/7018888/KS-HA-15-001-EN-N.pdf/6f0d4095-5e7a-4aab-af28-d255e2bcb395>.

However, some of the national and EU level stakeholders consulted expressed scepticism about the possibility of introducing sub-national level analyses in key Semester documents as this “would lead to an excessive increase in their volume and blur the essential focus on carefully selected key priorities”<sup>32</sup>. More scope has been seen for including such analyses in Country Reports “but only for those [Member States] where the analysis indicates the need for addressing in CSRs issues specific for regions or their relationship with central government”<sup>33</sup>.

In the 2015 Country Reports there is an example of a systematic treatment of territorial disparities: the Italy report<sup>34</sup> includes a ‘special topic’ chapter on Regional Disparities – see Box 2.

**Box 2. 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.

### **3.2.2 Insufficient territorial focus and LRA involvement in policy measures**

The Semester encompasses the Europe 2020 strategy and investment, and these are fields in which the LRAs have already a big and well established presence. This is a point made strongly by the Council of European Municipalities and Regions (CEMR) in several publications and by other stakeholders arguing that LRAs manage the majority of public investment in the EU countries. This view is supported by CoR’s analysis<sup>35</sup> of the division of powers between levels of government in the Member States and by the Commission’s own publications<sup>36</sup> – see Figure 6.

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<sup>32</sup> National level study consultations, Poland and Sweden.

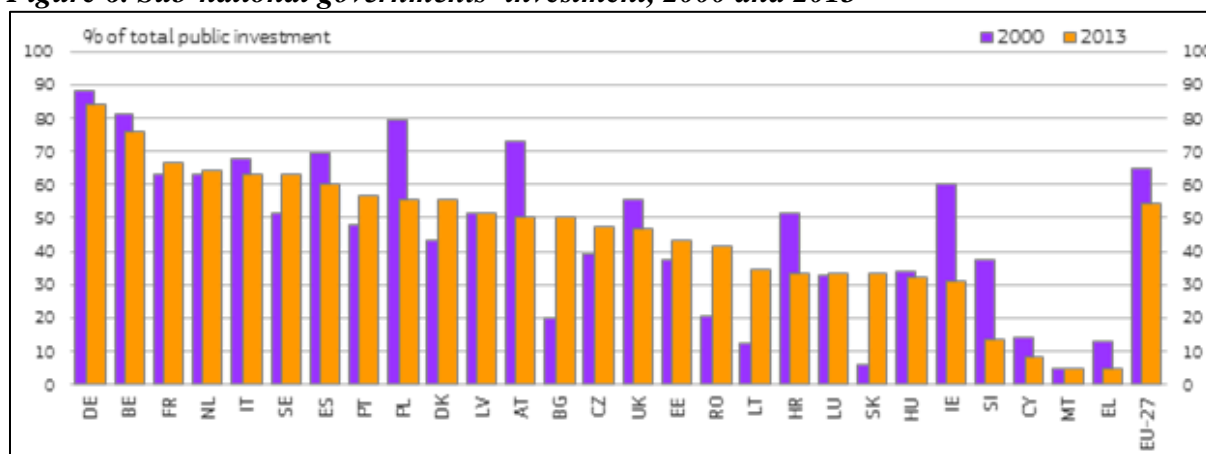
<sup>33</sup> Study consultations, Ministry of Economy, Poland.

<sup>34</sup> Country Report Italy 2015, Commission Staff Working Document SWD(2015) 31 final/2.

<sup>35</sup> <https://portal.cor.europa.eu/divisionpowers/Pages/default.aspx>.

<sup>36</sup> 6<sup>th</sup> Cohesion Report, p. 149.

**Figure 6. Sub-national governments' investment, 2000 and 2013**



Source: 6th Report on Economic, Social and Territorial Cohesion<sup>37</sup> (p.147).

Thus, the absence<sup>38</sup> of LRAs in the key Semester documents and lack of a territorial focus, especially, the NRPs is a serious shortcoming. The example of Germany and the major inter-regional disparities in Research and Development (R&D) which are not addressed in the NRP has been raised repeatedly in the study consultations.

The insufficient territorial focus of the Semester is also evident in the CSRs. All the recommendations are addressed to the Member State, even if the LRAs have relevant competences, and all the issues are always treated as applying equally throughout the territory of the country to which the recommendations apply. With territorial issues raised in all Country Reports<sup>39</sup>, this presents a paradox. The study consultations have brought out two explanations.

First, a view that the treaties are with the Member States and thus, even in the case of federal states, the Commission cannot address recommendations to the regions. This is a highly legalistic point and most of the stakeholders consulted have felt that the Commission finds ways to address various policies and issues beyond the narrow confines of the treaties if these matters are considered important, e.g. pensions policies.

Second, a view that this is an issue of MLG<sup>40</sup> and that a recognition<sup>41</sup> and facilitation of the role of sub-national authorities (and even of the non-public sector) is essential for achieving results. Indeed, the potential contribution of the sub-national level is amply illustrated and not only in the more ‘advanced’

<sup>37</sup> [http://ec.europa.eu/regional\\_policy/sources/docoffic/official/reports/cohesion6/6cr\\_en.pdf](http://ec.europa.eu/regional_policy/sources/docoffic/official/reports/cohesion6/6cr_en.pdf).

<sup>38</sup> It has also been noted that ‘visibility’ does not guarantee a ‘say’ in the NRP. The experience of the Netherlands shows that an active contribution by the LRAs and the inclusion of their position in an annex to the NRP has not produced any tangible results. (Study consultations).

<sup>39</sup> 6th Monitoring Report, Section 4.2.1.

<sup>40</sup> Three out of five Europe 2020 targets are shared competences (CEMR, October 2014).

<sup>41</sup> “Make it clear whether it is national, regional or shared responsibility” (Study consultations).



countries – as in the 15 concrete examples in Sweden’s 2015 NRP<sup>42</sup> or the good practice examples of local solutions for a better business environment from IT, NL, AT, FR, UK, MT, DE identified by the CoR<sup>43</sup> – but also in the remarkable bottom-up initiative and contribution that the sub-national level has made in Romania, see Box 3.

***Box 3. Romania - Local needs lead to a new national approach***<sup>44</sup>

This example of good practice was identified in a 2015 study of the European Commission on Local and Regional Partners Contributing to Europe 2020. It relates to new local governance arrangements addressing the problems of non-EU migrants, which also led to policy changes at national level.

The Timis region had to cope with an increasing number of non-EU migrants. Starting in 2009, the Intercultural Institute of Timisoara (IIT) was directly involved in developing projects to improve the social integration of non-EU migrants in the Romanian society, first in Timisoara and later in four other cities across the region.

The successful approach of IIT led the relevant directorate of the Ministry of Internal Affairs, in its capacity as the national manager of the European Integration Fund, to launch a call for projects. The IIT responded with the Migrants in Intercultural Romania (MiIR) project based on a trilateral approach between the three main groups of stakeholders (migrants, local stakeholders and national players). There is now a national process to promote a new governance approach based on this experience.

### **3.2.3 Inadequate consultation**

A range of issues have been raised falling broadly into two categories: the diverse and often weak partnership and consultation arrangements that are in place as part of the Semester, as outlined in the previous section; and the fact that LRAs normally play a much more significant role as full partners in other fields and especially in cohesion policy.

The former is a general shortcoming in the Semester process, not restricted to LRA-related issues and is attributed to the lack of an overall architecture for partnership working. Indeed the study consultations have found a general sense that “partners are generally neglected” in the Semester process.

While weaknesses regarding partnership between the EU and national levels are recognised and there are proposals, albeit fairly tentative<sup>45</sup>, to redress the

<sup>42</sup> Sweden NRP 2015, Annex.

<sup>43</sup> CoR, 6<sup>th</sup> Monitoring Report on Europe 2020 and the European Semester, October 2015, Section 6.3 <https://portal.cor.europa.eu/europe2020/pub/Documents/Monitoring%20Report%202015.pdf>.

<sup>44</sup> [http://ec.europa.eu/regional\\_policy/sources/docgener/studies/pdf/mlg\\_report\\_20150401.pdf](http://ec.europa.eu/regional_policy/sources/docgener/studies/pdf/mlg_report_20150401.pdf).

<sup>45</sup> Five Presidents’ Report, Roadmap.

situation, the study consultations have linked the lack of any proposals regarding partnership between these two levels and the sub-national level to an inadequate application of the principle of subsidiarity. Differences in institutional arrangements, competences, traditions and resources are also generally recognised as a constraint.

However, there are several examples of meaningful consultative arrangements that operate in some EU countries and which have been put in place specifically for the Semester by Member States or have been initiated by the regions, or a combination of the two as in the case of Sweden – see Box 4.

***Box 4. European Semester consultative arrangements in Sweden***

- **Annual Conference** organised by the regions, with the participation of the government and European Commission on the European Semester and Europe 2020. The first such conference was held in 2010.
- **National Forum**, government and political leaders from the regions, dealing mostly with Cohesion policy. Meets once or twice a year.
- **‘The Swedish Model’** tripartite consultations involving the social partners, typically four times a year corresponding to European Semester cycle and EU 2020.

There are several other examples of consultative arrangements for the Semester that are in place, such as in the Czech Republic (‘NRP round tables’ and ‘National Convention’) and in Poland (‘Inter-ministerial Team for the Europe 2020 Strategy’), while in Belgium the regions are part of the national team negotiating with the Commission. However, the Swedish approach has the distinct characteristic of a separate strand of consultations specifically with LRAs and with the involvement of Commission representatives, which is uncommon among non-federal states.

Some of the consultative arrangements put in place for the Semester by Member States have been criticised as being ‘below par’ by comparison with the normal state/regions consultative arrangements for other policy matters. This is the case of Italy where the standing ‘State-Regions Conference’ is missing from the consultation scheme of the Semester – see Figures 7 and 8 below.

On the positive side, the Commission’s European Semester Officers play an active role in all Member States. Although their role has not been formally defined, it is seen as facilitating the involvement of social partners including the LRAs and “ensuring a two-way communication with the Commission”<sup>46</sup>.

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<sup>46</sup> Study consultations.

Figure 7. The actual preparation of the NRP (Italy)<sup>47</sup>

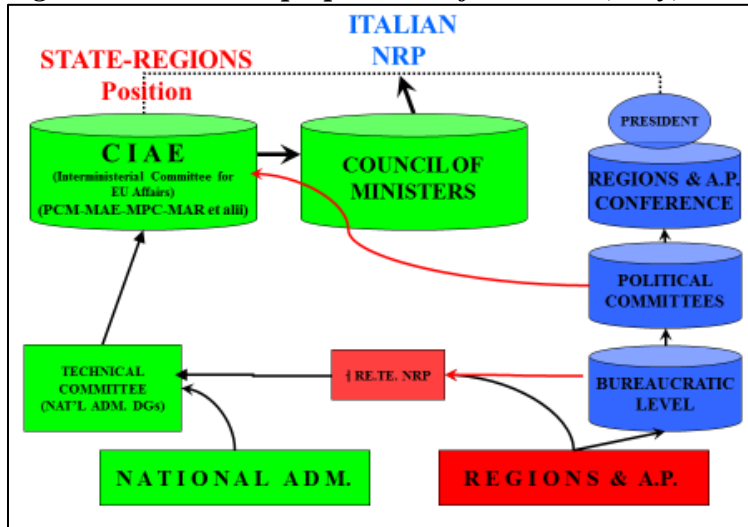


Figure 8. The should-be preparation of the NRP (Italy)



LRA organisations, as well as other stakeholders have used the experience of cohesion policy as a reference point in the study consultations. In the ESIF context, consultation within the framework of partnership working covers information, discussion and endorsement with clearly stated rules and procedures. The ESIF consultation process is much more advanced than in the Semester, is functioning on an ongoing basis in a similar way in all Member States, and has benefited from capacity building support<sup>48</sup>. This is exemplified by the working of the Partnership Agreement Monitoring Committee in Poland where the LRAs separately, as well as in common with other categories of partners, have access to technical assistance and have been developing an active role.

<sup>47</sup> Presentation by Andrea Ciaffi, Open Days Workshop, October 2015.

<sup>48</sup> EP, Review of the Adopted Partnership Agreements, Pucher, Naylon, Schönhofer.

The experience of local authorities in England is an illustration of a big chasm between the Semester and ESIF consultation arrangements, with the English local authorities being full and active members of the England Monitoring Committee of all ESIF but having no role at all in the Semester process, in contrast with their counterparts in Scotland.

However, it is recognised that the Semester is a much ‘younger’ process than the cohesion policy processes, and that it has taken several programming periods for the cohesion policy to reach the current state of partnership working. The study consultations have underlined that in this lengthy evolution the regulatory initiatives of the EU have made a very significant contribution and steered the partnership arrangements to their current state. Two recent developments are particularly relevant to this issue:

- the adoption of the Code of Conduct on Partnership in ESIF; and
- the setting up of the Structured Dialogue (see Box 5, below).

The study consultations have suggested that the Code of Conduct on Partnership may be of limited value by itself<sup>49</sup> but it has extended a regulatory framework in Cohesion policy which has gradually expanded and became clarified and is now the primary factor in ensuring ‘a place for LRAs as partners’ in a trilateral relationship with Member States and the Commission.

***Box 5. Structured Dialogue with ESIF Partners 2014-2020***

On the basis of Article 5(6) of Regulation (EU) No 1303/2013 (Common Provisions Regulation), the Commission set up an expert group with partners at EU level in the field of the European Structural and Investment Funds (ESIF), for the programming period 2014-2020.

The mission of the Structured Dialogue group of experts is to establish an open, frank and informal dialogue with partners working in the field of the ESIF. The Structured Dialogue is a mutual trust building mechanism in order to bring the ESIF closer to civil society, assist the Commission in the development of this policy in the different areas of expertise and to discuss the implementation of the ESIF.

The members of the Structured Dialogue are umbrella organisations at EU level. They have been selected according to their representativeness of one of the three categories of partners set out in Article 5(1) of the above-mentioned Regulation, following an open call for applications: associations representing regional, local, urban and other public authorities; economic and social partners; bodies representing civil society, such as environmental partners, non-governmental organisations, and bodies responsible for promoting social inclusion, gender equality and non-discrimination.

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<sup>49</sup> “It came rather late in the PA/OP preparation”; “has no teeth”, “Member States can ignore it”.

The advanced state of the ESIF partnership consultation arrangements and the fact that EU 2020 and investment are within the scope of the Semester, have led to suggestions that there is an opportunity to combine the two. However, national and EU stakeholders have stressed in the study consultations that this is not feasible as the time scales are very different and the Semester schedule particularly tight. Nevertheless there is some scope for doing so at the mid-term review of ESIF PAs and also for a closer involvement of programme managers in the Semester process.



## 4 Enhancing the involvement of LRAs in the European Semester

Embedding the principle of partnership in the European Semester and strengthening the involvement of LRAs can make a crucial contribution to the effectiveness of the European Semester and the achievement of the goals of the Europe 2020 strategy.

The great diversity at national and sub-national level of institutional arrangements, competences, traditions, resources, etc. means that it is not feasible to introduce a single model, even if it can be based on best practices. Improvements should be based on principles of wide applicability throughout the EU and of general benefit to the Semester as a whole.

A range of improvements have been identified by the study. They concern the territorial dimension of the analyses and policy recommendations included in the Semester process and the opening up in a structured and transparent way of the Semester process to LRAs throughout the EU in line with the principles of partnership and multi-level governance.

These improvements should be underpinned by a formal Code of Conduct or an agreement between all relevant institutions and a package of appropriately resourced actions (publication of sub-national analyses, EU-level debates on territorial issues with LRA participation, in-country consultative arrangements involving the LRAs, etc.).

It will be appropriate to envisage an iterative process, over several Semester cycles, that will involve many small steps in the direction of enhancing the territoriality of the Semester and embedding the principle of partnership. Many of the required actions can be undertaken through the adaptation of existing structures or activities such as the Open Days, the reactivation of the territorial dialogue, the work of the European Semester Officers and the use of readily available data from Eurostat and other sources.

### 4.1 General approach

The partnership principle permeates all aspects of policy making in the EU. It is not as yet fully embedded in the European Semester but all parties concerned are known to wish to move decisively towards a multi-lateral approach and broader ownership<sup>50</sup>. Its application in the cohesion policy and the ESIF is universally accepted and operationally advanced, and many of its aspects can usefully inform its application in the European Semester.

The practical application of the principle of partnership does not merely translate into ‘a place at the table’ for the sub-national authorities. It is not a

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<sup>50</sup> AGS 2015 p.7; Five Presidents’ Report, Annex 2.

static or one-dimensional concept but a longer-term effort for a dynamic and active engagement of all sides whose contribution is essential for the progress and successful implementation of policy objectives and for achieving agreed targets.

Anyway, LRAs have a large share of GDP, public expenditure and investment and a role in a swath of policy areas covered by the Semester; the EU 2020 strategy and a large proportion of CSRs with a territorial dimension. Therefore, allowing for a distinct role for LRAs, albeit within the prevailing national framework, ensuring their engagement and harnessing their potential is an important factor in ensuring ownership and results in the Semester process.

Various improvements in the way the Semester operates that will enhance the role of the LRAs have already been put forward by the CoR and more have been suggested in the literature and the study consultations. The great diversity at national and sub-national levels (institutional arrangements, competences, traditions, resources, etc.) seriously limits transferability and means that it is not feasible to introduce a single model, even if it is based on best practices<sup>51</sup>. Therefore, we have identified below suggested improvements based on principles with a wide applicability throughout the EU and with the potential to benefit the Semester as a whole in terms of: broader ownership, better bridging of the fiscal and investment aspects of the Semester, greater take-up of recommendations, etc.

Moreover, considerable emphasis has been placed on suggestions that are clearly in line with the efforts to streamline the Semester, do not demand major additional resources and avoid imposing extra bureaucratic burdens on the whole process.

## **4.2 Suggestions for strengthening the territorial dimension and the involvement of LRAs**

### **4.2.1 Territorial analysis**

The weak territorial dimension noted in the key Semester documents and in the consultations and negotiations of the Semester is to a large extent the result of the non-visibility of territorial issues. The issues of sub-national disparities and divergent performance towards achieving EU 2020 targets are known to the Commission and the country representatives engaged in the Semester process.

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<sup>51</sup> For example, the CoR has noted and welcomed the practice of Regional Reform Programmes and Territorial Pacts.



However, they are not systematically put ‘on the table’ and this also affects in a negative way the engagement of the LRAs and other partners.

This problem of visibility of the territorial dimension can be easily rectified, using ‘standard’ tools and data readily available, such as the Eurostat Regional Yearbook, the EU 2020 index, Cohesion Reports, etc., which can be linked to the various stages of the Semester process, as outlined below.

**AGS** - Ideally, a sub-national analysis and perspective should be included in the launch of the annual cycle. In practical terms it could become a new section of the AGS or it could take the form of a supplement. The latter option would allow the AGS to remain the ‘general and succinct’ document that the Commission considers appropriate as the launch document for the annual cycle<sup>52</sup>. But at the same time it would offer an informed basis for the territorial dimension of the debate from the very beginning of the process, at European level, linked to the proposed early involvement of LRAs (see below).

**Country Reports** - The CRs should include standard tables with sub-national level data. Additionally, a specific chapter on ‘Regional Disparities’ on the lines of the 2015 Italy report should be included, at least, in the reports for countries where there are acute territorial issues, for instance, where one or several of the following apply:

- significant inter-regional disparities in GDP, e.g. over a certain ratio;
- a wide spread in the performance of different types of area in the Europe 2020 index<sup>53</sup>;
- persistent multi-sector disparities (governance, education, business environment, etc).

**MIP Scoreboard** - Other possibilities include regionalising some of the scoreboard indicators used in the context of the Macroeconomic Imbalances Procedure (MIP) — e.g. labour cost, unemployment rate, house price changes — and even supplementing them, gradually, with other relevant social, environmental and territorial indicators. Initially, this could take the form of a pilot and informal supplement, and its lessons could lead to a revised set of indicators at later stage / further broader review of the Semester.

The above suggestions do not require any additional data collection or research, or a significant additional effort. As noted above, the relevant data are available and used in related contexts but need to be presented in a timely and coherent

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<sup>52</sup> Study consultations with Commission Officers. The same view was expressed in study consultations with national officials.

<sup>53</sup> Distance from headline targets for cities, towns/rural areas, capital regions, non-capital regions.

way in the framework of the Semester. They can apply horizontally across the board in an objective way, and do not impinge on issues of sub-national government competences and related issues.

The suggested changes can bring multiple benefits for the European Semester: stimulating the engagement of regional and local stakeholders, informing and making more fruitful the vertical and horizontal dialogue, and ultimately improving policy conclusions and actions.

#### **4.2.2 Policy measures/recommendations and implementation**

The territorial analyses suggested above will provide both the context and a stimulus for policy initiatives and measures to deal with territorial issues. Some of the policy recommendations will need to be addressed to the national level and some to the regional/local level or a combination of different levels. Indeed, some measures would be of relevance not only to the public sector but also to the private or civil society sectors.

The following two improvements to key documents of the Semester, the NRPs and the CSRs, are considered to be essential.

**NRP** – The place of the NRPs is crucial in strengthening the territorial dimension of the Semester. The required improvements are twofold and should be done systematically in all NRPs (and accordingly the current Guidance for NRPs should be modified):

First, the NRPs should address any regional disparities and territorial issues raised in the analyses of the AGS and CRs.

Second, the chapter of the NRP dealing with progress towards the Europe 2020 targets:

- should cover territorial performance against each target, and
- should offer a territorially integrated approach for addressing any major and multi-faceted shortcomings.

This framework regarding Europe 2020 will enable the governments, together with LRAs, to formulate their actions as to enable municipalities and regions to contribute to the goals, and define what they may need from EU policy and funds for that purpose. The CSR can then also be used, if necessary, to recommend specific policy measures to enable regions to deliver Europe 2020 goals.

**CSR** – The NRP will set the scene for territorially differentiated issues and policy measures. Therefore, the CSRs will be in a position to distinguish policy measures with a territorial dimension. In these cases they should also explain the role of LRAs, if any, in the implementation of the recommendations.

These changes do not require any new tools but an adaptation of the existing ones. The formal status of the recommendations included in the CSR could be a sensitive matter as they are normally addressed to the Member States. This should not, however, be a problem if the CSR acknowledge the involvement of LRAs in certain policy measures, without addressing the recommendations directly to the LRAs.

These changes will help introduce much more focused policy responses to many important issues that so far remain ‘below the surface’ in the Semester process, and will mobilise LRAs and other relevant partners in the overall effort to achieve the policy objectives and, particularly, the Europe 2020 goals.

### **4.2.3 Consultation**

As already mentioned the partnership principle, as exemplified by the ESIF, involves a dynamic and negotiated process with a broad range of participants, both public authorities at various levels and non-public organisations (private and civil society sectors). In such a fully-fledged state, consultation within the partnership covers three steps: information, discussion and endorsement. In the current state of the evolution of the Semester, the third step of LRAs endorsing government is beyond what is feasible or appropriate in many Member States and this has been taken into account in the suggestions selected in the previous section. Therefore, the focus of the suggestions put forward below is on the first two steps and aim to make ‘to hear and be heard’ normal practice throughout the EU, as far as the LRAs are concerned.

The necessary improvements to the consultation arrangements of the Semester should be at both EU and country levels.

#### ***EU-level consultations***

**EU-level debates** - It is of crucial importance to debate at EU-level major issues arising from the territorial analysis with the direct participation of LRA representatives, at the beginning of the cycle (at the time of the publication of the AGS or even before), as this will set the ball rolling for an informed debate and constructive contributions at all levels during the rest of the cycle. Similarly, there should be an opportunity for an EU-level policy debate on territorial issues with LRAs in June/July, before the CSRs are adopted.

On these occasions the CoR should play a central role by hosting appropriate events, in close cooperation with the Commission and Parliament, to which LRA associations from all Member States should be invited. The format of these events should be given further consideration taking account of existing opportunities – for instance, the autumn event could form part of a revamped Open Days (see below).

Further opportunities also exist and could be explored further, including:

- a formal **plenary CoR debate and resolution** to mirror that EP debate on AGS (before and after it is issued by the EC) and later on at the CSR stage<sup>54</sup>;
- a revival of the **territorial dialogue** by the CoR, in conjunction with the Commission, with a view to the spring meeting of the European Council<sup>55</sup>;
- an informal session on sub-national issues and contributions as part of the **European Parliamentary Week** in February.

**Structured dialogue** – A further possibility could be the setting up of a formalised consultative body at EU level on the lines of ESIF’s ‘structured dialogue’ with partners, which has taken the form of an experts’ group with members drawn from umbrella organisations at EU level (LRAs, economic and social partners, civil society). This might be more appropriate for a later stage, once the more informal dialogue afforded by the other opportunities mentioned above has become more established and also more experience has been gained from ESIF’s structural dialogue, which is still at its early stages.

### *In-country consultations*

The generally accepted need to reinforce the national stage of the Semester has already been highlighted in Section 2 and means that appropriate and adequate consultative arrangements need be in place in all Member States. Although, it should be taken for granted that in-country arrangements will follow country-specific parameters, they should in all cases follow certain common principles, notably:

- there is a transparent definition of who are the partners to be involved;
- the consultative arrangements should be permanent;

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<sup>54</sup> Two plenary debates at the EP as advocated by the Five Presidents’ Report (Roadmap, Annex 2).

<sup>55</sup> As already envisaged under the heading of the European Semester in the EC/CoR protocol of cooperation.

- they should include specific opportunities for LRAs ‘to be heard’ on matters of direct relevance to them, and not only as part of general stakeholder consultations.

The diversity that applies at country level may preclude the introduction of standardised arrangements throughout the EU but it is essential that the LRAs should ‘hear’ and should ‘be heard’ at all relevant stages of the Semester process, and that in particular during the following key stages:

- there is a debate on the territorial analyses contained in or accompanying the AGS and CRs and on policy issues stemming from them;
- there is an active involvement of LRAs in the design of the NRP;
- there is a debate on CSRs before they are adopted.

The above highlight the considerable opportunity that exists in the period between the publication of the Country Reports and the CSRs, for LRAs to contribute in a systematic and structured way.

Whatever consultative arrangements involving LRAs are (or are put) in place can be facilitated by the European Commission especially through:

- the fact finding missions undertaken by the country teams of the Commission;
- the work of the European Semester Officers as ambassadors promoting an inclusive two-way process.

These suggestions are in line with overall evolution of the Semester ‘from a paper exercise to dialogue’ and do not require any extra effort. At EU level much can be achieved through adaptation, while in some Member States adequate arrangements are already in place.

Considerable benefits can be obtained by stimulating the engagement of LRAs through a proactive and systematic consultation process. An active role by LRAs within the broader partnership would also help bring other partners in and could bind them in the Semester process, improving the chances of policy actions to succeed.

### **4.3 Putting the proposals into effect: an iterative process**

In order to introduce the changes suggested above and to ensure that they will operate effectively it will be necessary to combine three different elements: appropriate formal agreement(s), a package of properly resourced complementary actions, and the required capacities on the side of LRAs.

A Code of Conduct or other formal inter-institutional agreements on Partnership and Territoriality in the European Semester will be necessary to ensure that the territorial dimension and the involvement of LRAs in the European Semester are accorded appropriate recognition and weight in all Member States. This matter is examined in more detail in the following section (Section 5).

However, the introduction of a number of requirements in a Code of Conduct will not by itself guarantee that they will be adhered to and there will be the risk of staying ‘on paper’. Indeed, the study consultations have underlined the concern of LRA representatives that any non-binding Code of Conduct would in practice be ignored.

Therefore, a strong package of properly resourced actions ‘that will bring to life’ the provisions of the Code of Conduct will be essential for the success of the whole enterprise. It has already been indicated for each of the suggestions presented above who would be responsible for initiating them and how they could be implemented. This is also shown in Section 6, in connection with specific provisions envisaged to be in the Code of Conduct. For instance, it would be vital for the success of the Code that the CoR initiates key debates with the involvement of LRAs and the Commission on territorial issues and that the Commission supports such debates in various fora, at EU and country level.

In the spirit of streamlining and simplification this supplementary package should be aiming to get more out of existing activities without adding administrative or other burdens. Hence, for instance, the potential use of Open Days for launching the Semester cycle with LRA involvement, the use of readily available territorial analyses and indicators from Eurostat to supplement key Semester documents and inform the main partners in key stages, the revival of the territorial dialogue, and the facilitating activities of the Commission’s European Semester Officers in Member States.

However, it is known that there are capacity constraints<sup>56</sup> that will affect the involvement of LRAs and, since there are major variations throughout the EU, this matter will have to be addressed in a pragmatic way:

- Regarding consultation activities at EU-level, the LRAs should be able to engage through their representative organisations, while there may also be opportunities for more direct involvement, e.g. at Open Days.
- Regarding in-country activities related to partnership working, support should be made progressively available to LRAs and their representative organisations (as well as other categories of partners) to fulfil their emerging role<sup>57</sup>.
- In policy implementation sharing, it should be assumed that only the larger regions and major cities/agglomerations will have the required capacities and that, in the longer term<sup>58</sup>, resources will be assigned to LRAs in line with their responsibilities in connection with EU 2020 and other Semester related policy measures.

The need to involve and ensure the commitment of multiple actors, to make various adaptations to existing arrangements and to address capacity issues will inevitably mean that it will not be realistic to aim at implementing the above and other similar proposals in a single step. It will, therefore, be appropriate to envisage an iterative process, over several Semester cycles, that will involve many small steps in the direction of enhancing the territorial dimension of the Semester and embedding the principle of partnership; taking also the opportunity to formalise these developments through a Code of Conduct or other such agreement. Such steps should include:

- getting the dialogue going with all relevant institutions on territoriality and partnership in the Semester and on the value of introducing a formal scheme on the lines of a Code of Conduct;
- establishing a broad agreement on the principles of what the Code of Conduct should be and how it should be applied;

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<sup>56</sup> The CoR analysis of Public administration and administrative capacity issues in the 2015 Country Reports identified 13 countries affected by administrative burden and administrative capacity issues.

<sup>57</sup> As in the recent experience of Poland with the Partnership Agreement Monitoring Committee.

<sup>58</sup> This is a broader cohesion issue as highlighted in a presentation by Willem Molle on ‘Cohesion and Growth: Is the EU system fit to face the challenges beyond 2020?’ (3 November 2015) which stressed that “the chances for success are highest for those who least need EU support, while those who most need EU support cannot realize success”.

- adapting existing elements which contribute to strengthening the territorial dimension and the role of LRAs in the Semester;
- fixing key capacity constraints;
- piloting and testing new ideas for improvements; and
- plugging into major EU initiatives, such as Stage 2 of the roadmap foreseen in the Five Presidents' Report ('Completing the EMU architecture') and the new EU initiative 'Next steps for a sustainable European future'<sup>59</sup>.

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<sup>59</sup> "This initiative will set out a new approach to ensure Europe's economic growth and social and environmental sustainability beyond the 2020 timeframe, taking into account the Europe 2020 review and the internal and external implementation of the United Nations Sustainable Development Goals." European Commission Work Programme for 2016, Annex I [http://ec.europa.eu/atwork/pdf/cwp\\_2016\\_annex\\_i\\_en.pdf](http://ec.europa.eu/atwork/pdf/cwp_2016_annex_i_en.pdf).



## **5 The need for a Code of Conduct on LRA involvement in the European Semester**

A Code of Conduct is needed to ensure that the territorial dimension is accorded appropriate weight at EU level and in all Member States, and that a structured and distinct contribution by LRAs is possible at the relevant stages of the European Semester process. The suggested improvements and corresponding provisions of a Code of Conduct will require the support of several EU institutions. Therefore, it is important that the Code of Conduct is endorsed by the EC, the EP and the CoR.

It will be advantageous to place the Code of Conduct on a legal basis, crystallising and recognising the territorial dimension and the application of the partnership principle and the involvement of the LRAs in the European Semester process. However, no directly relevant legal basis is currently available and the best course of action in the short term would be an inter-institutional agreement between the EC, the EP and the CoR. The provisions of the Code that apply to Member States should be reflected in the Commission's guidance on NRPs and in the CSPs.

The contents of Code of Conduct should be two-fold covering: a) the territorial dimension of the analytical and policy aspects of the European Semester; and, b) the application of the partnership principle in the European Semester at EU and country level. An appropriate title, reflecting these contents, would be: "Code of Conduct on Partnership and Territoriality in the European Semester".

### **5.1 The need for a Code of Conduct**

The previous section identified a number of improvements needed for embedding the partnership principle in the European Semester and for deepening the involvement of the LRAs. Due to the nature of these improvements, their introduction and successful implementation should:

- have the support of several institutional actors at EU, national and sub-national level;
- overcome shortcomings that stem from the great diversity in the application of the Semester process below the EU level.

The specific aim of the Code of Conduct will be to ensure that the territorial dimension is accorded appropriate weight in all Member States through a structured and distinct contribution by LRAs at the relevant stages of the Semester process.

Key challenges in developing and adopting the Code of Conduct are how to overcome the lack of formal competences of LRAs in many countries related to the European Semester and what it should be its status to help ensure that it will be followed by all concerned parties. Hence, it is considered appropriate to aim for a minimum level of requirements which could apply across the board, while accepting that a higher degree of territoriality is already a reality or is achievable in some cases, reflecting the constitutional position of LRAs and the division of powers within countries. The Code will of course need to be addressed to the relevant EU institutions too, and not only to Member States.

Regarding the status of the Code, it will be appropriate to aim for a formal adoption of a binding Code with a legal basis, for several reasons:

- to crystallise and recognise the territorial dimension and the application of the partnership principle and the involvement of the LRAs in the European Semester process;
- to express explicitly the multi-lateral backing of all relevant institutions;
- to ensure that it will commit all sides to implement it;
- to spell out the minimum common requirements for Member States.

The alternative of a purely voluntary Code or guidelines will need *a priori* a very broad acceptance of its principles and widespread application of its provisions in order to carry any weight. As already highlighted in Section 3, these conditions are lacking at present. Indeed, the study consultations have highlighted that Member States which are not engaging the LRAs in the Semester process are likely to ignore a non-binding (voluntary) Code.

The options available concerning adoption are considered below. However, as it has already been stressed in the previous section, the adoption of the Code will not by itself be enough for the proposed improvements to take root and succeed. The Code should be part of an active initiative by the CoR, working in close cooperation with EC and EP, which will promote multi-level partnership working, and will inform and facilitate the involvement of LRAs in the Semester process.

The partnership and MLG principles are universally accepted in EU policy making and governance and, as already mentioned, the key EU institutions concerned with the European Semester have made a strong case for a multilateral approach and broader ownership in the Semester. The Code will

introduce improvements directly relevant to these aspects and will thus be beneficial to the whole Semester process.

## 5.2 Status of the Code of Conduct

As already indicated it will not be sufficient for the Code to have the status of ‘voluntary guidelines’ to succeed. It will be of much greater value if it has a formal status and is binding, as well as having multi-lateral backing with complementary actions and resources.

The ESIF Code of Conduct on Partnership has a clear legal basis<sup>60</sup> but the study consultations have highlighted that there is no equivalent basis for a Semester Code of Conduct on Partnership. The two options that have been identified regarding a potential legal basis for the Code are:

- establishing a legal basis as part of a future modification of the legal framework of the European Semester, possibly as part of the Stage 2 (i.e. post-June 2017) of the roadmap towards a complete Economic and Monetary Union (EMU)<sup>61</sup>;
- using a higher level, not Semester-specific legal basis, such as the provisions of the EU Treaty on subsidiarity and on respecting the LRAs, and consulting and taking into account the regional and local level<sup>62</sup>.

These options may prove feasible in the longer term and of a more general value but, as stressed in the study consultations by Commission officials, subsidiarity and proportionality means that it will be up to the Member States to decide as far as the sub-national level is concerned. Therefore, it is considered that in practical terms the Code will carry sufficient weight if it took, initially, the form of a formal agreement between the EU institutions that represent the central forces in the Semester process and in the promotion of the partnership and MLG principles, namely the Commission, the Parliament and the CoR. Two options have been identified for putting this into effect:

- endorsement of the Code through a joint declaration of EC, EP and CoR, on the line of the Riga Declaration<sup>63</sup>;

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<sup>60</sup> Art 5 of the CPR.

<sup>61</sup> The Five Presidents Report, Annex 2 does not foresee any relevant changes in Stage 1, other than a strengthening of parliamentary control as part of the European Semester.

<sup>62</sup> Art. 4 and 5, and Art. 2 of Protocol No 2.

<http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:12012M/TXT>.

<sup>63</sup> Joint Declaration on the Eastern Partnership Summit, 21-22 May 2015.

- a protocol on cooperation on the lines of the ongoing inter-institutional agreements of the CoR with the Commission<sup>64</sup> and with the Parliament<sup>65</sup>.

The above will not be binding on Member States but the requirements addressed to the Member States can be given weight by revising the Commission's guidelines on NRPs in the light of the Code and/or by attaching the Code as an annex, and by including its application by Member States in the CSRs.

### **5.3 Structure and content of the Code of Conduct**

It will be appropriate for the Code to be in two main parts, each of them clearly focused on a key aspect, namely:

- A. The territorial dimension of the analytical and policy aspects of the Semester.
- B. The application of the partnership principle in the Semester at EU and country level.

This approach will allow a clear identification of the institution that should bear the main responsibility for implementation and will also make it easier to relate the particular provisions of the Code to the different stages of the Semester cycle.

In Part A, the Code will mainly cover requirements:

- for the Commission regarding territorial analyses in the AGS and CRs, and territory-related CSRs;
- for the Member States on addressing in the NRPs regional disparities and for dealing with the territorial aspects of progress towards the EU 2020 targets.

In Part B.1 the Code will mainly set out the requirements for the CoR to host, in close cooperation with the Commission and Parliament, debates with the involvement of LRAs at key stages of the Semester.

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<sup>64</sup> <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2012:102:0006:0010:EN:PDF>.

<sup>65</sup> [http://cor.europa.eu/en/about/interinstitutional/Documents/ep-cor\\_a245.pdf](http://cor.europa.eu/en/about/interinstitutional/Documents/ep-cor_a245.pdf).

In Part B.2 the Code's requirements for Member States will be twofold:

- to establish standing (permanent) consultative arrangements for the Semester, to specify partners and to provide for LRAs to be consulted separately on issues which are exclusively or principally of relevance to them;
- to use the above arrangements for consulting the partners on matters concerning the Semester and, specifically, for a two-way dialogue at key stages of the Semester cycle.

The Code will also include general and specific provisions regarding participants, information to be provided and timing.

An appropriate title, reflecting the contents outlined above, would be: "Code of Conduct on Partnership and Territoriality in the European Semester".



## 6 Draft “Code of Conduct on Partnership and Territoriality in the European Semester” - Main points

The following table presents a preliminary version of a concise text of the Code of Conduct and main responsibilities for the implementation of its principal provisions.

It is assumed that the Code will cover partnership in general but in this preliminary version the main emphasis has been placed on the involvement of LRAs.

*Table 1. Preliminary text for a Code of Conduct*

<b>General</b>	
<p>Having regard to...</p> <p>agree to steps to strengthen the European Semester regarding the adherence to the principles of partnership, subsidiarity and MLG...</p> <p>through actions for embedding a territorial dimension in the European Semester and ensuring the involvement of LRAs as partners in the Semester and the implementation the EU2020 strategy ... and of other stakeholders...</p>	
<b>A. Provisions concerning the territorial dimension of the analytical and policy aspects of the European Semester</b>	
<b>A.1 – Annual Growth Survey:</b> In order to introduce a territorial dimension from the beginning of the European Semester cycle, the AGS should include or be accompanied by a supplementary sub-national level analysis.	<b>EC</b>
<p><b>A.2 – Country Reports:</b> In order to ensure that significant territorial issues receive full attention, the CRs should include a chapter on regional disparities, at least in the case of countries with:</p> <ul style="list-style-type: none"> <li>■ large regional GDP disparities,</li> <li>■ a wide spread between different types of area in the EU 2020 index,</li> <li>■ persistent multi-sector disparities.</li> </ul>	<b>EC</b>
<b>A.3 – National Reform Programmes:</b> NRPs should address any regional disparities and other territorial issues raised in the CRs and, as regards the progress towards EU 2020 targets, review progress also at sub-national level and offer a territorially integrated approach in the case of multi-faceted shortcomings.	<p><b>MS with LRAs</b></p> <p>EC to revise its guidance</p>

<p><b>A.4 – Country-specific Recommendations:</b> The CSR should distinguish policy measures with a territorial dimension, stemming from territorial issues the CR and NRP, and should explain the role of LRAs and other partners (as applicable) in the implementation of the recommendations.</p>	<p><b>EC</b> Council/ European Council</p>
<p><i>Other possibilities:</i></p>	
<p><b>A.5 - MIP Scoreboard</b> – To regionalise some of the scoreboard indicators and to supplement them with social, environmental and territorial indicators.</p>	<p><b>EC</b></p>
<p><b>B. Provisions concerning the application of the partnership principle in the European Semester</b></p>	
<p><i>EU-level</i></p>	
<p><b>B.1.1 - EU level debates with LRAs:</b> The CoR should organise debates with participation open to LRA representatives from all EU countries at key stages of the Semester cycle, focusing on territorial issues and the (potential) contribution of LRAs:</p> <ul style="list-style-type: none"> <li>a. at AGS stage,</li> <li>b. at draft CSR stage.</li> </ul>	<p><b>CoR</b> EC EP LRA participation</p>
<p><b>B.1.2 - CoR debates:</b> The CoR should hold plenary debates and pass resolutions on the territorial dimension of the Semester on the AGS and on the CSR (mirroring plenary debates at the EP).</p>	<p><b>CoR</b></p>
<p><b>B.1.3 - Territorial dialogue:</b> The CoR should organise, in conjunction with the Commission, with a view to the spring meeting of the European Council.</p>	<p><b>CoR</b> EC European Council</p>
<p><i>Other possibilities</i></p>	
<p><b>B.1.4 -</b> The Parliament should provide a forum for an open debate on the territorial aspects of the Semester as part of the <b>European Parliamentary Week</b> (February).</p>	<p><b>EP</b> CoR</p>
<p><b>B.1.5 -</b> The Commission should propose the establishment of a ‘<b>Structured Dialogue</b>’, on the lines of ESIF.</p>	<p><b>EC</b> CoR</p>



<b><i>In-country</i></b>	
<p><b>B.2.1 - General partnership provisions:</b>  The Member States should organise the partnership arrangements pertaining to the European Semester, taking into account national institutional provisions and best practices in the Union. These should cover:</p> <ul style="list-style-type: none"> <li>a. identifying the relevant partners (LRAs and other categories);</li> <li>b. specifying the structure for consulting the partners, its remit, activities and timing;</li> <li>c. notifying the arrangements to the Commission and all partners at the beginning of the Semester cycle (November).</li> </ul> <p>These should be standing (permanent) arrangements and any changes should be introduced and notified to the EC at the beginning of each Semester cycle.</p>	<b>MS</b>
<p><b>B.2.2 - General requirements:</b> The Member States should inform and debate with partners at all relevant stages of the European Semester, through the above standing arrangements.</p> <p>The Commission should support and facilitate the dialogue between partners through the European Semester Officers, fact finding visits by EC country teams, etc.</p>	<b>MS</b> <b>EC</b> <b>LRA</b>
<p><b>B.2.3 - Specific requirements:</b> The LRAs and other partners should be involved in:</p> <ul style="list-style-type: none"> <li>a. reviewing the CR and drawing conclusions on policy responses to its analyses,</li> <li>b. preparing the NRP,</li> <li>c. reviewing and responding to draft CSR,</li> <li>d. implementing relevant policy measures as in the NRP and CSR.</li> </ul> <p>These should involve all relevant partners and should include opportunities for separate hearings at which the LRAs can present their views and proposals [and similarly for other partner categories].</p>	<b>MS</b> <b>LRA</b>
<b>C. Miscellaneous / Supporting provisions</b>	
<p><b>C.1 - Good practices:</b> In order to support and facilitate Member States in the organisation and operation of partnership the EC and CoR should make available examples of best practices</p>	<b>EC</b> <b>CoR</b>
<p><b>C.2 – Strengthening institutional capacity:</b> In order to ensure the effective involvement of LRAs [and other partners] in the European Semester the Commission and Member States should provide support for strengthening the institutional capacity of the LRAs.</p>	<b>MS</b> <b>EC</b>



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