



Directorate for Legislative Work 2
Commission for Economic policy (ECON)

The Head of Unit

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Note: The 2021 Annual Sustainable Growth Strategy from the CoR perspective

On 17 September 2020, the European Commission (EC) launched this year's European Semester (ES) cycle with the publication of the [Annual Sustainable Growth Strategy 2021](#) (ASGS). This was unexpected as the EC had announced instead a "Communication on Implementation of the Recovery and Resilience Facility", and the ASGS traditionally comes later in the year. However, this ASGS is unusual and largely focuses on setting out the strategic guidance for the implementation of the Recovery and Resilience Facility (RRF). It was accompanied by additional [guidance](#) and a [template](#) in two Staff Working Documents (SWDs), to support Member States (MS) in the preparation of their national Recovery and Resilience plans (RRP).

An adapted Semester Cycle

To avoid overlap, the EC decided to "*temporarily adapt the ES to the launch of the RRF*". Apart from the earlier publication of the ASGS, this adaptation implies substantial changes in the ES: There will be no Country Reports this year, with the EC publishing instead analytical documents assessing the RRP. There will be no Country Specific Recommendations (CSRs), due to the RRP's "*forward-looking policy nature*" overlapping with CSRs. The National Reform Programmes (NRPs) will also need to be adapted, however, some degree of uncertainty can be noted in this regard: the legal proposal on the RRF stated that the RRP would constitute an "*annex*" to NRPs, whereas the ASGS refers to the need to submit the NRP and RRP in a "*single integrated document*". There may be some overlaps in their content given the common ground between both documents and, whereas guidance was provided in connection to the RRP, there is little reference to the NRPs. Member States are encouraged to submit preliminary draft RRP from 15 October and the final deadline is 30 April 2021.

Role of LRAs and multilevel governance

The ASGS and SWDs recognise to some extent the role of LRAs in the process leading to the adoption of the RRP and their implementation, in the form of "invitations" and "encouragements" to MS. For instance, concerning the decision-making process, MS are invited to describe "*the role of their national/regional parliaments*" and "*other regional/local authorities*". In relation to the implementation of the RRP, MS should also describe the role of LRA in the reforms/investments under each component of the RRP and refer to the "*administrative capacity at both central and local level*", to the way "*funds are channelled to sub-national levels*", and to the coordination mechanisms established to ensure an effective implementation and the complementarity of the RRF with other EU Funds, in order to avoid

double funding. Despite some guidance offered in the SWDs, this coordination is likely to be one of the main challenges that MS and LRAs will have to face and may raise concerns on the capacity to absorb all the RRF funds, also keeping in mind the different timespan of the Cohesion or other EU Funds and the RRF. The role that LRAs should play in setting the milestones, targets and timelines of the reforms and investments is not explicitly recognised and LRAs are not included in the conclusions of the ASGS, which only mentions “*social partners*” and “*other relevant stakeholders*”.

Territorial dimension, twin transitions and SDGs

The “territorial dimension” is present in the documents but only to a limited extent, with the most significant reference being to rural areas in relation to digital issues (broadband coverage, digital skills, etc.) The ASGS also mentions the need to support the regions “*most affected by the green transition*” and the Guidance calls to “*modernize and improve the efficiency and quality of public administration*”. The need to reduce territorial disparities is also mentioned on certain occasions, usually in line with the RRP objective of promoting territorial cohesion. However, despite some references to “cohesion” in general, this objective does not seem to be prioritised to the extent that could be expected given the legal basis of the Proposal for the RRF (Art. 175 TFEU).

This contrasts with the great significance given to the green and digital transition, not only as “*key principles underpinning the RRP*” but through their integration in the “*7 European flagships*” identified in the ASGS 2021, on which MS are encouraged to direct their reforms and investments under the Plan. On the other hand, reference to the UN Sustainable Development Goals (SDG) is minimal, in stark contrast with the previous year’s intentions of integrating the SDGs in the Semester. This is the case even though the focus of the RRP on the green and digital transition and, in general, the broader contribution of the RRF on “*delivering on the EU objective of competitive sustainability*”, will most likely contribute directly or indirectly to the SDGs. Overall, it seems that there has been a change in the reference framework, moving from the SDGs towards several other initiatives: the European Pillar of Social Rights and the objectives set in the Green Deal or the National Energy and Climate Plans.

Next steps

This year's ASGS is unusual not only in its timing but also in its content, which is almost entirely focused on the RRF rather than on the European Semester itself. As a result, the traditional CoR response to the Semester process (resolutions mirroring the EP ones) does not appear appropriate to respond to this document. Instead, the CoR's views on the ASGS and accompanying documents should be reflected in:

- 1 – The opinion on the RRF (Rapporteur: Rouillon) to be adopted at the October Plenary
- 2 – The Barometer report and accompanying resolution

The ECON secretariat will make proposals to that end.