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| **ECON-VI/040** |
| **21st Commission meeting, 13 December 2018** |

**WORKING DOCUMENT**

**Commission for Economic Policy**

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

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| \_\_\_\_\_\_\_\_\_\_\_\_\_Rapporteur: **Rob Jonkman (NL/ECR)**Member of the Executive Council of Opsterland\_\_\_\_\_\_\_\_\_\_\_\_\_ |

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| This document will be discussed at the meeting of the **Commission for Economic Policy** to be held **from 10 a.m. to 1 p.m. on 13 December 2018.** |

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| Reference documentCommunication from the Commission to the European Parliament, the Council, the European Central Bank, the European Economic and Social Committee, the Committee of the Regions and the European Investment Bank - Annual Growth Survey 2019: For a stronger Europe in the face of global uncertaintyCOM(2018) 770 final |

**Working document of the Commission for Economic Policy – The European semester and cohesion policy: aligning structural reforms with long-term investments**

**Introduction**

A recent study carried out by the Directorate-General for Employment, Social Affairs and Inclusion (DG EMPL) showed that the current cohesion programmes cover around 60 % of the country-specific recommendations (CSRs), to the extent that they are relevant for the ESI Funds. This mostly concerns recommendations in the area of the labour market and employment, administrative capacity, network industries and the environment. A strong link between the European semester and cohesion policy can already be seen in the current programmes. However, the Commission aims to have more binding coordination between the CSRs and cohesion programmes in the next cohesion policy programming period. This raises questions about municipalities' and regions' room for manoeuvre in the area of cohesion policy, and about their role in shaping new cohesion programmes.

In response to be Commission's proposals, the Romanian Presidency asked the Committee whether the envisaged link between the cohesion programmes and the CSRs still allowed regions enough flexibility, and how the regions can be given a greater role in the European semester.

**Coordinating the European semester and cohesion policy**

The European semester is the main tool at EU level for coordinating the Member States' (socio-) economic and budgetary policies, with the Member States expected to keep their budgetary and economic policies in line with the EU country-specific recommendations. The Europe 2020 strategy therefore acts as a policy framework for the recommendations. Through these recommendations, the European Commission aims to ensure that the Member States implement structural reforms to strengthen their economies, boost employment and social inclusion and improve the investment climate.

Based on these recommendations, the Member States develop their own national investment strategies. Together with the annual national reform programmes (NRP), these strategies will be presented as the basis for priority investment projects that should be supported using national and EU funding. The European semester therefore influences policy-making by public authorities at the EU, national, regional and local level throughout the year.

European cohesion policy is the EU's main investment policy, focusing on the Treaty objective of economic, social and territorial cohesion (Art. 174 TFEU). Narrowing development gaps between and within regions is a key part of this. Cohesion policy is implemented on the basis of seven-year programmes. Under these programmes, investments from the European Structural and Investment Funds (ESIF) contribute to structural reforms.

During the current programming period (2014-2020), the EU tightened coordination between the European semester and the cohesion programmes in the Member States and regions. In May 2017, this led to the creation of the Structural Reform Support Programme (SRSP).

For the 2021-2027 programming period, the European Commission has strengthened the link between cohesion policy and the European semester with the aim of boosting the effectiveness of the action financed under cohesion policy and producing more sustainable results. In order to achieve this, the 2019 European semester will put more focus on assessing investment needs, in order to guide programming decisions for 2021-2027. The analysis in the 2019 country reports will look at the investment needs in each country, including the sectoral and regional dimensions, where relevant. On the basis of this analysis, a new annex to the country report will indicate which investment needs are relevant for cohesion policy in 2021-2027. This provides an analytical contribution to the programming dialogue with the Member States. Building on the country reports, as part of its proposals for the 2019 CSRs the Commission intends to identify priority areas for public and private investments, in order to further facilitate the implementation of growth-enhancing reforms.

For the new cohesion programmes, the Commission proposes, in the Common Provisions Regulation, taking take account of country-specific recommendations on at least two occasions: when programming begins and during the mid-term review. This evaluation is due to take place in 2025.

The Commission proposes that the Member States themselves should determine how take the relevant CSRs into account when preparing the new programmes. During the implementation stage, the Member States should then periodically inform the monitoring committee and the Commission of the progress made in implementing the programmes supporting the CSRs. During the mid-term review, the Member States should consider whether the programmes need to be amended to account of any relevant CSRs adopted or modified since the start of the programming period. In this connection, the Commission refers in particular to the 2024 CSRs.

The Commission will specifically take into account the country-specific recommendations both when adopting the partnership agreement and ESIF programmes.

In order to help the Member States prepare and implement national reforms, the Commission proposes a new tool as a successor to the Structural Reform Support Programme: the Support Reform Programme (RSP).

The Commission has not issued a proposal for a successor to the Europe 2020 strategy, despite repeated requests from the Committee and the Parliament and criticism from the European Court of Auditors. The Committee has in various opinions and resolutions called for the UN's Sustainable Development Goals (SDGs) to be adopted as a new policy strategy for the EU.

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

In 2017 and 2018, the Committee of the Regions adopted a number of opinions and resolutions in which it took a position on: the European semester and the role that local and regional authorities play within it; the link to cohesion policy; and the application of the principles of subsidiarity, partnership and multilevel governance. The main opinion in this connection was the opinion of May 2017 on "Improving the governance of the European Semester: a Code of Conduct for the involvement of local and regional authorities".

In these opinions and resolutions, the Committee takes a critical view of the link between country-specific recommendations and cohesion policy. The subsidiarity principle and the objectives of cohesion policy play an important role in this context. If this link is to be achieved, involving municipalities and regions closely in the national reform programmes (NRP) is an absolute prerequisite and the European semester should be given a territorial dimension. In addition, a successor to the Europe 2020 strategy is needed in order to have a clear policy framework for European investments using cohesion funding under the European semester.

**Questions for debate**

On the basis of the above, the following questions could be asked:

* In your Member State, how are regions, municipalities and their associations involved in drawing up the NRP?
* What needs to be done to align cohesion policy's principles of partnership and multilevel governance with the European semester?
* What lessons can be learned from the Structural Reform Support Programme as regards the coordination between the CSRs and the cohesion programmes, which the Commission wishes to make more binding?
* How can the subsidiarity principle be fully respected in this connection?
* Do the current Commission proposals in the draft Common Provisions Regulation allow regions and municipalities sufficient room for manoeuvre to shape the cohesion programmes within the European semester, in accordance with their own possibilities and needs?
1. **PROCEDURE**

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| **Title** | **The European semester and cohesion policy: aligning structural reforms with long-term investments** |
| **Reference document** | COM(2018) 770 final |
| **Legal basis** | Art. 307(4) TFEU |
| **Procedural basis** | Rule 41 (a) RoP |
| **Date of Council/EP referral/Date of Commission letter** |  |
| **Date of Bureau/President's decision** |  |
| **Commission responsible** | Commission for Economic Policy (ECON) |
| **Rapporteur** | Rob Jonkman (NL/ECR) |
| **Analysis** |  |
| **Discussed in commission** | 13/12/2018 |
| **Date adopted by commission** | Scheduled for 14/02/2019 |
| **Result of the vote in commission (majority, unanimity)** | tbc |
| **Adopted at plenary** | Scheduled for 10-11/4/2019 |
| **Previous Committee opinions** |  |
| **Consultation of Subsidiarity monitoring network** | – |

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