Next Generation EU and the EU Economic Governance framework: Where does the involvement of CPMR regions stand?

Analysis of the CPMR questionnaire

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The Recovery and Resilience Facility regulation states in its article 18 that a consultation must be conducted, in accordance with the national legal framework, with local and regional authorities, social partners, and civil society for the preparation and implementation of the National Recovery and Resilience plans (NRRPs).

In light of the current implementation of the Recovery and Resilience Facility (RRF) and in view of the worrying signals on regional authorities’ involvement in the definition of the national recovery and resilience plans (NRRPs), the CPMR General Secretariat launched a questionnaire to its members in order to have a detailed view of the state of affairs (April 2021). The questionnaire also considered a series of questions on the involvement of regional authorities within the EU economic governance framework (“the European Semester”), which the RRF is embedded under.

The CPMR Political Bureau approved in March 2021 a policy statement which mirrors the findings of the questionnaire to a very large extent on the topic of the involvement of Regions in the EU Recovery Plan.

This document presents the key findings arising from the results of the CPMR survey on the Next Generation EU and the EU Economic Governance framework. The main objective of the survey was the collection of the CPMR Member’s feedback on their involvement regarding the definition and implementation of their NRRPs as well as under the European Semester framework. A description of the methodology used can be found on section 2.

This document will feed the long-term reflection process to put in place by the CPMR Secretariat under the think-thank initiative “Territories Matter” which aims to define a scheme to guarantee the best level playing field to ensure the role of regions in the development of EU investment funds.
1. MAIN OUTCOMES OF THE QUESTIONNAIRE

1. ON THE RECOVERY AND RESILIENCE FACILITY GOVERNANCE

→ Regions are predominantly dissatisfied concerning their overall involvement at national level in the definition of the national Recovery and Resilience plan.
   - CPMR members evaluate their involvement with an average score of 3.9 (being 5 very unsatisfied and 1 very satisfied).
   - Some members confirmed they were not consulted at all. For example, all of the Swedish members’ that contributed to the questionnaire confirmed the absence of consultation at national level.

→ When consulted, regions’ contribution is generally limited and without a meaningful impact.
   - Late involvement
     - A significant number of respondents stressed that their involvement was done at a late stage when Member States had already presented a first draft to the European Commission and the structured dialogue with the Commission services was already ongoing.
     - Only Members from Finland and Portugal noted that they were consulted by their respective central government before the presentation of the first draft to the European Commission in October 2020.
• **Informative meetings rather than meetings to gather stakeholders’ inputs**
  - A large majority of Member States opted for the organization of high-level meetings rather than the provision of inputs via online consultations.
  - There is a trend among CPMR members who took part in the survey confirming that consultations carried out at national level were not aimed at collecting inputs from the Regions but to share the draft proposals.

• By and large, regions were **involved at the same time as other stakeholders** (social partners, civil society, private sector)

→ **Uncertainty on the role of regions regarding implementation.**
  - In general, regions do not have a clear view on the role they will play in implementing the recovery plans in the coming months.
  - CPMR member regions with a formal role in partially managing the national RRF financial resources (e.g., Spanish regions) share their uncertainty and concerns on the lack of details by the central government on how projects will be selected and managed between the levels of government.
  - Other CPMR Member regions (e.g., all Finnish regions) confirm that their respective region will not participate in the implementation of the RRF.

2. **ON THE NATIONAL RECOVERY AND RESILIENCE PLANS**

→ **Regions’ interests and priorities are generally not considered in the national recovery and resilience plans.**
  - With an average score of 3.04 (being 5 not at all and 1 to a great extent), CPMR members consider that their Member State’s recovery plan does not consider their region’s interests and priorities.
  - The recovery plan that gains a higher evaluation on representing their respective region’s interests is Finland. On the other hand, Dutch and Swedish regions which contributed to the questionnaire consider their national recovery plan does not represent their priorities.

3. **ON THE EU RECOVERY INSTRUMENT “NEXT GENERATION EU” BUDGET ALLOCATION**

→ **REACT-EU will be managed in very different ways across EU Member States.** As CPMR members have stated, its implementation will be done through:
  - National programmes: Denmark, Italy
  - Regional programmes: Ireland, The Netherlands, France, Germany, Spain.
  - A combination between national and regional programmes: Portugal, Finland and Sweden.

→ The **distribution of REACT-EU funding at sub-national level follows a significant territorial approach.**
  - The allocations methodology used to distribute REACT-EU among regions include: same methodology used for the distribution of cohesion funds (ESIF 21-27) (e.g., Germany), the use of the Regulation’s criteria to distribute among Member States applied to the regions (e.g., Spain) or the use of a mix of socio-economic indicators at regional level (e.g. Sweden).

4. **ON THE RRF CONSISTENCY AND COMPLEMENTARITY WITH OTHER EU PROGRAMMES**

→ There is a strong stance that there is no strategic articulation between the RRF and other EU funds, specifically with Cohesion Policy.
- A majority of CPMR members consider that there is a lack of coordination between funds in their Member State. While Portuguese regions acknowledge consistency and coherence among instruments, regions from Sweden, Finland, Germany, Spain, and The Netherlands do not see a proper strategic framework in their respective Member State.

→ When asked how consistency and coordination between the RRF and other EU funds could be improved, respondents show a clear answer: coordination improvement could come from a greater role of regions. CPMR members suggest:
  - To give regional Managing Authorities a role in the co-ordination of RRF with cohesion policy programs.
  - To organize further workshops and meetings between the various stakeholders involved in the funding so the different initiatives within the RFF should be coordinated by the national government together with the responsible department of each regional authority, but also with the responsible departments of cohesion policy.

5. ON THE EUROPEAN SEMESTER FRAMEWORK

→ There is uneven involvement of CPMR member regions in the European Semester Framework at national level.
  - Regions from Denmark, Sweden, Italy, The Netherlands, Ireland and Finland acknowledge a certain involvement at national level.
  - Those that are involved take part via formal procedures and coordination structured mechanisms between the national government and regional level such as the presentation of responses and opinions on the different stages of the process (e.g. Ireland).

→ The role of the European Semester officer to reinforce policy dialogue with levels of government in question.
  - Despite having the aim to aim to induce national ownership and reinforce policy dialogue with stakeholders and different levels of government, all CPMR member regions that respond to the question affirm that they have no contact with the European Semester officer in their Member State.

→ Findings from the survey confirm that recommendations arising from the European Semester do not shape the economic policy of the regions to a large extent.
  - CPMR members evaluate with an average score of 3,6 (being 5 not at all and 1 to a great extent) the extent to which the recommendations delivered under the framework (Country Specific Recommendations – CSRs - and/or the investment guidelines for cohesion policy “Annex D”) shape their economic policy.

→ The absence of a territorial dimension of the Semester’ deliverables is presented as the biggest cause of the lack of impact in the regions’ economic policy.
  - Some regions state that the national focus of the Country Specific Recommendations makes the recommendations not so relevant for all regions. Others reiterate that the Annex D has not shaped any economic policy decision as it has not been written in partnership with the regions.

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1 The European Semester officers are Commission officials based in each Member State Commission’ representation with the role to reinforce policy dialogue and to bring the Semester closer to national stakeholders by overseeing the implementation of the CSRs and providing relevant information to the Commission’ Country Teams.
6. ON THE FUTURE OUTLOOK (post NGUE & post-2027 MFF)

There are concerns among CPMR regions about the consequences that the RRF could generate in a post-recovery time in the development of the EU investment policies, specifically, cohesion policy:

On the governance:

→ **The centralized management of the recovery fund is a major concern for the MFF post-2027.** It could influence the future governance of cohesion policy at the expense of multilevel governance and regional programming, which are core principles of cohesion policy. The strong guidance on the RRF put in place by the European Commission and Member States on the programming of the funds does also generate certain disquietude.

On the budget:

→ **Tendency to centralization of funds at national level.** Cohesion policy budget could be cut to make space for new EU initiatives/instruments that are directed towards national governments.

→ Some members point out on a more positive note that, the awaited success of the RRF with a higher rate of investment could benefit the regional level. At the same time, the allocation of funds associated to the capacity to reach results could be a positive change to be extended to cohesion policy.

On the objectives:

→ **A watering down of cohesion policy core objectives.** There is a risk that cohesion policy could turn into a policy with a “RFF logic”, becoming just another powerful spatially blind investment policy. This would make it lose the perspective of economic, social, and territorial cohesion, as well as the original EU objective of reaching a territorial development harmonization.

→ **There is a strong demand to guarantee regional authorities’ participation in the EU economic framework at national and European level since the early stages of the process.**

The suggestions by respondents can be categorized in the following points:

- **Effective EU mandate** on the involvement of regions at national level guaranteeing a meaningful dialogue.
  - “The Commission should enforce Member States to involve regions in the national semester cycle and other EU economic policies or programmes with regional impact.”
  - “A joint report from the different regions of each country can be added to the Commission’s supervision procedure, in order to be revised and taken into consideration, so the Commission is able to verify whether the consultation process’s summary was truly effective or not.”

- **Mandatory consultation and participation of regional authorities** stated in the relevant regulations for any national decision that may impact the allocation of EU-regional funding.
  - “The European Commission should elaborate a common methodology at European level to be applied by Member States when asked by the EC to consult the LRA and the socio-economic partners. If left to the goodwill of Member States, the risk it that this consultation process will not happen or will be carried out at a minimum level.”

- **Greater delegation of powers** to LRAs in the management, monitoring and implementation of EU policies.
  - “We should ask for a better involvement of the regional authorities in the European Semester to take into account the role of regions as managing authorities of cohesion policy.”
2. METHODOLOGY

- The CPMR Secretariat launched an online survey on the EU Recovery plan “Next Generation EU” and the EU Economic Governance framework in April 2021 to its members.
- The online survey consisted of 20 questions grouped in 6 sections:
  a) Recovery and Resilience Facility Governance
  b) National Recovery and Resilience Plans
  c) EU recovery instrument “Next Generation EU” budget allocation
  d) RRF consistency and complementarity with other EU programmes
  e) The European Semester framework
  f) Future outlook (post NGUE & post-2027 MFF)
- The online survey was sent to all CPMR membership. In total, 25 regions from 10 different Member States submitted their contribution for the development of this document.

1. RESPONDENTS

Names of the participating regions per CPMR Geographical Commission:

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These regions cover 10 Member States: France, Spain, Ireland, Sweden, Finland, Germany, Portugal, Italy, Denmark and The Netherlands.

2. THE QUESTIONNAIRE

The questionnaire shared with CPMR members via Google forms.