To provide the adequate economic response to the COVID19 outbreak’ or the necessary investment to face the twin transitions requires a major economic fiscal response from EU member states. With this scenario in mind, the European Commission relaunched on 19 October 2021 its public consultation on the EU economic governance review.

The EU economic governance framework may seem distant from the work and role of regions. However, it has however grown in importance over the years to oversee areas under the remit of regional authorities. The focus of Cohesion Policy programmes, the design of Regional and Resilience Plans, the implementation of structural reforms, financing of the EU Green Deal are all examples of issues covered by the EU economic governance framework.

The Conference of Peripheral Maritime Regions (CPMR) therefore welcomes the opening of the reflection around the EU Economic Governance framework. The review provides the opportunity to improve the territorial dimension of the framework. With this contribution, the CPMR wants to share with the European Commission a series of messages adopted by the CPMR as part of its policy positions during 2020-20211 and the main findings of relevant CPMR analysis.

Therefore, the CPMR believes that this future EU Economic Governance Review should:

- Ensure the promotion of economic, social, and territorial cohesion.
- Fully involve regional authorities on the framework where key investment guidelines and structural reforms are set.
- Guarantee the territorial dimension of the economic analysis and policy recommendations.
- Assure better consistency across EU policies and initiatives delivering investment in the future.
- Promote the necessary economic support and place-based investments to reach a fair transition to a climate neutral economy
- Not be enforced to the detriment of EU funding contributing to territorial cohesion and delivered by regional authorities.
1. A framework to support EU territories

In the coming months, discussions around the EU economic framework will be disputed, controversial and highly political as significant differences exist between EU Member States on the adequate fiscal rules to take and some form of fiscal solidarity.

In the context of the discussions on a simplification of the Stability and Growth Pact, it is of extreme relevance that the EU ensures that national and regional fiscal policies support the achievement of the EU main objectives in the coming years, with the support of the EU budget and the Next Generation EU recovery instrument.

The CPMR stands for:

→ **Message 1:** The Stability and Growth Pact should ensure the promotion of economic, social, and territorial cohesion enshrined in article 3 TEU. Member States and regional authorities must have the sufficient means to support EU Economic convergence and a sustainable, inclusive, and digital growth recovery.

2. A more territorial European Semester

Since its introduction in 2011, the European Semester has been the framework to guide and coordinate the economic and fiscal policies of the EU Member States. It started as a technocratic procedure that in the course of time has evolved to a political one. A whole structured framework led by the European Commission and the Council of the EU has been set to coordinate national actions in a broad number of public policies that aim to bring off the SDGs, the European Pillar of Social Rights and the European Green Deal.

As the Commission’s communication presented for this consultation states that the EU Semester will remain the reference framework to oversee and coordinate fiscal policies in the EU, the EU Economic Governance review presents the opportunity to ensure a territorial dimension of the framework.

The European Semester has key implications on the development of Member States and regions’ economic and investment policies. In this sense, the CPMR requests a redesign of the current framework so that regional authorities are fully involved at national level as partners of the European Semester dialogue in which priority investment policies are shaped; and a territorial approach needs to be integrated into the framework acknowledging the existing territorial challenges in the EU Member States.

2.1 EU Regions at the core of the EU Economic governance

EU fiscal rules as well as economic reports and recommendations delivered as part of the European Semester directly touch on the competences of regions such as social, housing, or support to SMEs to quote a few.

1 CPMR Final Declaration 2021 adopted by the CPMR General Assembly (14 October 2021)
CPMR Final Declaration 2020 adopted by the CPMR Political Bureau on behalf of the General Assembly (29 October 2020)
Policy Statement “Ten messages to the EU institutions to strengthen the involvement of Regions in the EU Recovery Plan” approved by the CPMR Political Bureau (26 March 2021)
“Territories Matter” Initiative – Seminar Brief – A more territorial EU economic governance framework for a post COVID scenario (6 October 2021)
CPMR analysis on the National Recovery and Resilience Plans – June 2021
Next Generation EU and the EU Economic Governance framework: Where does the involvement of CPMR regions stand? – July 2021
A meaningful participation of regions on the discussions between Member States and the Commission services, would ensure ownership of, and delivery on, structural reforms as well as strengthened the democratic legitimacy of the European economic governance.

The CPMR stands for:

→ **Message 2**: Readjustment of the EU Semester structured dialogue with the introduction of a formal involvement of regional authorities at national and EU level. The European Commission should guarantee regions’ involvement via a general requirement and assessing how the multi-level governance principle has been in place in the course of the structured dialogue with Member States.

→ **Message 3**: The framework should harmonise at EU level how Member States involve regional authorities. Regions should have good and timely access to information on the works under the EU semester macroeconomic dialogue and their inputs should be taken into account by central governments. Time is of essence and the European Commission should leave Member States the sufficient time to structurally involve regional authorities and stakeholders avoiding the current very tight deadlines.

→ **Message 4**: Regions should not be consulted and involved in the same quality and level as other very different actors such as social partners, trade unions, business associations and academia. Not undermining the relevant input these actors offer, regions as levels of government with competences and budgetary expenditure at EU and national level, have to have a more prominent voice.

2.2 **Looking at territories’ indicators and investment needs**

The EU Commission publishes a series of economic reports and policy recommendations as part of each EU semester cycle. As the deliverables aim to reflect the macroeconomic situation of the Member State (Country Reports) and shape the economic policies of the EU member states (Recommendation on economic policy for the EU area and Country Specific Recommendations), a stronger territorial dimension is needed for the sake of well-targeted public investment and reforms.

The EU territories are diverse. Across the European Union we find territories with permanent demographic or geographical handicaps as well as territories with a specific economic structure. On account of the territorial disparities existing among the EU territories, which have been exacerbated due to the strong territorial impact COVID 19 has had, the diversity of territories’ potential and specific needs has to be ensured in EU policies.

The CPMR stands for:

→ **Message 5**: A stronger territorial assessment in the Semester reports and recommendations. The acknowledgement of existing territorial challenges is essential in view of the relevant investment guidelines issued as part of the framework.

→ **Message 6**: The territorial assessment has to be consistent and in a harmonised manner across Member States. For example, with the introduction of a section on the existing territorial challenges in each Member State country report or an indication of tailor-made policy recommendations that would apply to a determined region when Country-Specific Recommendations are presented.

→ **Message 7**: The establishment of regional indicators as part of the assessment done in the EU Semester country reports.

→ **Message 8**: When investment guidelines refer to cohesion policy (e.g., Annex D and Annex D bis), deliverables need to be much clearer when it comes to the analysis of territorial challenges and investment needs particularly concerning territories beset by permanent and geographical handicaps and specific types of territories covered by the EU Treaty Articles.
3. Lessons learned from the RRF

The CPMR strongly welcomed the Next Generation EU instrument as a one-of-a-kind initiative that will deploy an ambitious budget in the EU territories in the coming years. Although the Recovery and Resilience Facility (RRF) is still in its starting phase, some problematics and concerns have already emerged in recent months.

Aspects below are essential to be reviewed, discussed, and reconsidered for the forthcoming implementation of the instrument or in view of succeeding mechanisms that could be put in place in a post 2027 MFF taking the RRF as inspiration.

3.1 Governance failures

In its European Semester Autumn Package 2022, the European Commission confirmed the adjustment of the European Semester cycle 2022 to integrate the Recovery and Resilience Facility. As the Semester had already been adjusted to line up with the Facility implementation in the 2021 cycle, this highlights the importance of the EU economic governance framework in the definition of EU investment policies.

The lack of satisfaction among CPMR members regarding their overall involvement in the definition of the national Recovery and Resilience plans brings into light how the deficient involvement of regional authorities in the Semester has been reproduced (see section 2.1). At the same time, puts into question the rationale to conduct a consultation at national level established in the RRF Regulation.

The CPMR stands for:

→ **Message 9:** A close involvement of regional authorities in the implementation of plans. Most investment areas addressed in the plans are under the direct competences of local and regional authorities in several Member States.

→ **Message 10:** The consultation process of local and regional authorities, social partners, civil society organisations, youth organisations and other relevant stakeholders, and how their input is reflected in the recovery and resilience plan must be an assessment criterion as part of the Commission’ plans assessment if the instrument is replicated in the future.

3.2 Design difficulties

The interplay between the Recovery and Resilience Facility with other EU funds, namely the Structural and Investment Funds, has posed problematics on the articulation of both funds to ensure additionality, complementarities and to avoid overlapping.

As the CPMR warned, Member States administration capacity is rather limited to plan both the recovery instrument and the structural investment programmes. The parallel implementation of both instruments is causing cohesion policy 2021-2027 to face delays as some EU Member States have prioritised the recovery fund spending.

Moreover, the lack of involvement of regional authorities, has undermined the strategic articulation and complementarity with other EU funds where regions have a key role. For example, being territorial cohesion one of the prime objectives of the EU Recovery Plan, it will not be achieved if the RRF is not based on the multilevel governance principle and the territorial dimension of the plans is not ensured. The current top-down approach prevents regional authorities from creating strategic links between the Recovery and Resilience Facility and EU funds delivered in partnership with regions such as cohesion policy 2021-2027. This not only undermines the effectiveness of the EU effort towards achieving a prompt recovery, but it also generates an unwelcome risk of overlaps and competition between the RRF and structural funds.
The CPMR stands for:

→ **Message 11:** The next generation of EU investment policies must **strength their support to economic, social and territorial cohesion** enlightened in article 3 TEU.

→ **Message 12:** Better consistency across EU policies and initiatives delivering investment in the future. The Recovery instrument should not replace or overlap with existing EU funds, such as the EU structural and investment funds, in its current form and design.

4. Financing a just and green transition for regions

The European Green Deal is at the heart of the COVID-19 recovery and is the cornerstone of a climate neutral, prosperous, and competitive Europe. To achieve the EU objectives on climate requires Member States to deploy big budget lines to face the twin transitions in addition to the national co-financing of the dedicated EU funding.

The future EU Economic Governance needs to find a balance between the appropriate role for the framework to incentivise Member States to undertake key investments as well as to preserve the macroeconomic sustainability established.

The CPMR stands for:

→ **Message 13:** Reflection to introduce flexibility in the SGP, so that **all national co-financing relating to green investment projects supported by the EU Structural and Investment Funds should be exempt from the Stability and Growth Pact rules.**

5. Avoiding enforcement via regional scapegoats

The review launched by the Commission aims to find the way to enhance the enforcement of the EU fiscal rules among Member States. The need to enforce EU fiscal rules is legitimate and it has to be secured as the coordination of EU economic policies is key for the good performance of core EU initiatives such as the EU Economic and Monetary Union or the Single Market.

The link between cohesion policy and the EU Semester has been strengthened in the cohesion policy 2021-207 regulations. Already mentioned in this contribution, cohesion policy will be shaped by the EU economic governance via the investment guidelines and the country specific recommendations published as part of the economic framework. Among the provisions, there’s the so-called “Macroeconomic conditionality clause” which links the reception of EU funding to the fulfilment of EU fiscal rules by the EU Member State.

As a result, the conditionality clause makes cohesion funding dependent on the respect of the European economic governance rules. Such a clause penalizes regional authorities even though they have no responsibility over national budgetary planning and fiscal discipline. It only recognises collective national responsibility independently of effective budget management.

The CPMR stands for:

→ **Message 14:** Proper enforcement of the Stability and Growth Pact does not have to be to the detriment of EU funding contributing to the economic, social and territorial cohesion in the European Union.

→ **Message 15:** Deletion of the “macroeconomic conditionality clause”. We believe that the relationship between Cohesion Policy and the European Semester needs to be positive rather than punitive, as is the case today with macroeconomic conditionality. Effective enforcement of the EU fiscal rules should be done with coherence.
The Conference of Peripheral Maritime Regions (CPMR) represents more than 150 regional authorities from 24 countries across Europe and beyond. Organised in Geographical Commissions, the CPMR works to ensure that a balanced territorial development is at the heart of the European Union and its policies.

Rond-Point Schuman | 1040 Brussels, BELGIUM  
| +32 (0)2 612 17 00

6, Rue Saint-Martin | 35700 Rennes, FRANCE  
(siège) info@crpm.org | +33 (0)2 99 35 40 50