

Official Journal of the European Union

C 247



English edition

Information and Notices

Volume 61

13 July 2018

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COMMITTEE OF THE REGIONS

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I

(Resolutions, recommendations and opinions)

OPINIONS

COMMITTEE OF THE REGIONS

128TH COR PLENARY SESSION, 22.3.2018-23.3.2018

Opinion of the European Committee of the Regions — Implementation of the European Agenda on Migration

(2018/C 247/01)

Rapporteur: Dimitrios Kalogeropoulos (EL/EPP), Politically accountable to the Municipal Council of Palaio Faliro

Reference document: Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on the Delivery of the European Agenda on Migration

COM(2017) 558 final

POLICY RECOMMENDATIONS

THE EUROPEAN COMMITTEE OF THE REGIONS,

Preliminary remarks

1. Underlines that migratory movements for a number of different reasons are an integral part of human and notably European history; highlights that Europe's cities and regions are currently under pressure from the high number of migrants resulting from instability in countries outside the EU. The continent of Europe, and in particular the regions on its southern and eastern margins, and last year the western Mediterranean and the Spanish coast including Spain's southern Atlantic coast, have for a long time been at the origin of emigration, but have become in recent years a main arrival point for migratory and refugee flows from outside the EU.

2. The number of migrants and refugees, mostly from African and Asian countries as well as the Middle East, trying to enter European Union (EU) countries has increased sharply in recent years. In the period since 2015 Europe has received the largest number of migrants and refugees since the end of the Second World War. Factors such as the continuing crisis in Syria, the development of centres of unrest in various regions of Africa and Asia, and the attempt by many people on those continents to seek better living conditions in Europe, have been critical in exacerbating the trend. The main countries of arrival in the EU include those with coasts on the Mediterranean Sea, in particular Greece and Italy.

3. To address this unprecedented challenge as effectively as possible, in May 2015 the European Union announced a European Agenda on Migration ⁽¹⁾. The immediate priority was to save lives at sea in view of the humanitarian tragedies in the Mediterranean, and therefore to develop European action in the following areas: (1) improving search and rescue operations; (2) combating criminal smuggling and trafficking networks; (3) relocation of refugees within EU borders; (4) return of displaced people to their place of origin; (5) cooperation with third countries to tackle migratory flows upstream; and (6) providing help to EU Member States that are on the front line of migrant and refugee arrivals. The European Agenda on Migration also established four pillars for the adoption of a comprehensive EU migration policy: (1) reducing the incentives for irregular migration; (2) saving lives and securing external borders; (3) providing the basis for coherent implementation of a Common European Asylum System; and (4) framing a new policy on legal migration.

4. Historical experience shows that migrants will be forced to seek more dangerous routes to destination countries in the absence of legal channels for migration. And this forces people to resort to smuggling networks, risking their lives and personal safety. This also considerably increases the vulnerability of women;

Specific comments

5. The European Committee of the Regions (CoR) notes to begin with that while the European Agenda on Migration falls primarily within the remit of national governments, an important role is played by local and regional authorities (LRAs) in this area;

6. points out that LRAs play an important role in receiving the increased number of refugees and migrants. This is because LRAs, are the bodies which receive refugees and migrants, whom they are required to take care of, house and look after in conditions that ensure their human dignity, often for indeterminate periods of time and whom they need to help to integrate in many cases. This affects in particular regions on the outer borders of the EU (such as the Greek Aegean islands close to the Turkish coast, certain island regions of Italy, as well as the coast of Andalucía, and especially migrant arrivals in the provinces of Cádiz, Granada and Almería, the territories of Ceuta and Melilla, and the Canary Islands), where migrants first arrive in EU territory;

7. in view of these facts, observes that LRAs need to be involved in every stage of framing and implementing the European Agenda on Migration, including setting priorities, evaluating outcomes, as well as monitoring the consequences, for local and regional authorities of government policies in this area; this process should include all layers of governance, in a transparent manner, starting with municipalities and local authorities;

8. commends the EU's efforts to support the establishment of sustainable political and administrative structures in relation to issues of migration and asylum, and considers that these efforts should include supporting regional and local institution-building by providing for effective funding, technical assistance and training for LRAs, so that optimum use is made of humanitarian aid and existing and future financial resources, particularly for initial reception; in this connection, the regions most affected by migratory flows or with a high proportion of migrants should have direct access to EU integration funding;

9. points out that the subnational authorities represented in the CoR are mounting a considerable effort and investing equally considerable resources to tackle on the ground the humanitarian issues arising from refugee and migration flows. In this context the CoR has already proved itself to be a valuable partner to the other bodies concerned (including the European Commission) in implementing the European Agenda on Migration;

Priorities

10. considers self-evident on the one hand that the complexity of this issue makes close cooperation necessary between the EU Member States and on the other that any action taken by the EU and its Member States must always be governed by the overarching principles of compliance with international law and protection of human rights;

⁽¹⁾ COM(2015) 240 final.

11. believes it is absolutely essential that the EU continue its efforts to establish and strengthen the common European framework for migration and asylum, as well as its preventative action so as to help address irregular migration, help promote stability and the upholding of fundamental rights in its neighbourhood. The EU must be in a position to offer help to those of its Member States that bear a heavier burden with respect to migratory and refugee flows, basing its policy on the fundamental principle of solidarity; the Mediterranean area needs broad-based support in this respect, as do the Spanish overseas territories like Ceuta and Melilla;

12. underlines the need to step up preventative action relating to irregular migration so that assistance can be focused on those in real need of protection. Also expresses deep concern over the slave trade that has developed in some countries in Africa as a result of the illegal smuggling routes and activities, and particularly the trafficking of women and girls for the purposes of sexual exploitation;

13. considers that the EU, as the largest international donor, should make efforts to ensure that migration policy and international development cooperation are coordinated public policies. At the same time, the CoR considers dangerous the tendency of some international organisations (such as the OECD's Development Assistance Committee) to allow the costs incurred by developed countries in dealing with refugees to be counted as official development aid;

14. stresses the crucial importance of international development cooperation as a public policy designed to promote the improvement of living conditions in third countries, to eliminate inequalities and, in the field of humanitarian action, to have an impact on situations which lead to forced migration;

15. as things currently stand, identifies six areas for action: (1) an immediate response and provision of help to Member States where urgent situations exist owing to increased refugee or migratory flows; (2) reducing the incentives for a continuation of irregular migration; (3) management of the EU's external borders; (4) political asylum; (5) management of legal migration and integration of migrants into society and (6) cooperation with the countries of origin;

Response to urgent situations

16. welcomes action taken to date by the EU to address the critical situations that have arisen as a result of increased migratory and refugee flows over recent years, measures that include:

- joint operations Triton and Poseidon in the central and eastern Mediterranean respectively,
- provision of special financial assistance to the Member States in greatest difficulty, which have to step up the basic health, social and legal services provided by the regions to this population,
- setting up and running of reception and identification facilities ('hotspots') in Greece and Italy, as well as arrival points in Andalusia,
- the EU-Turkey agreement, which had the effect of drastically limiting uncontrolled migratory flows from Turkey to Greece (although this should not be taken as a model for dealing with migration problems) while raising some concerns as to its compatibility with international human rights standards and its 'sustainability' as part of a comprehensive EU policy response to the crisis,
- provision of assistance to the Libyan coast guard, which was instrumental in reducing flows to Italy in the framework of the EUNAVFOR Med Operation Sophia,
- increasing funding for the European Asylum, Migration and Integration Fund, which enabled it to provide more help to the Member States; these funds must reach the regions;

17. recognises the need for the EU to take even more radical measures to:

- beef up the assistance provided to Member States on the frontline of migrant and refugee arrivals, with particular emphasis on supporting LRAs in regions (such as the Greek Aegean islands and Italy, as well as Spain's southern coast and islands) which receive the bulk of refugees and migrants owing to their geographical location,
- relieve pressure on the regions receiving the bulk of refugees and migrants, taking into account factors such as the particular circumstances of islands,
- ensure strict implementation of the EU-Turkey agreement in full respect of the humanitarian and international law standards, including the provisions for returning people to Turkey while ensuring the access to proper asylum procedures to those who are entitled to them,
- provide the necessary assistance to the groups of people most severely affected by these movements, in particular unaccompanied minors;

18. draws attention to the positive role played by certain non-governmental organisations (NGOs) in addressing the acute problems of housing, food, healthcare, etc. for refugees and migrants, especially in regions receiving the largest influx of refugees and migrants, but notes the need for better coordination of NGO action in close partnership with LRAs so that the contribution of NGOs is more streamlined and effective, as well as compatible with local needs and situations, while they are also subject to the necessary transparency and social accountability requirements; considers that EVS could play a key role in the reception of refugees and migrants, in cooperation with NGOs and public administrations;

19. stresses the importance of the international humanitarian aid provided by the EU and its Member States to third countries where situations of emergency are closely connected with the increase in migration flows;

Discouraging irregular migration

20. sees as essential the continuation of EU efforts in cooperation with third countries to combat irregular migration networks, especially in countries of origin and transit;

21. underlines the need for a sound legal basis for operation EUNAVFOR Med Sophia to enhance its effectiveness and improve its ability to disrupt the business model of traffickers and human smugglers; for instance, calls for the EU institutions to cooperate with the Libyan Coast Guard to stop dinghies and boats leaving illegally to reach the EU; notes that patrolling activities, including support to search and rescue activities have gradually shifted from waters near the Italian territory to waters nearer Libya; acknowledges that one of the direct consequences of this has been a change in the business model of smugglers that place irregular migrants and refugees on cheap and completely unseaworthy inflatable dinghies that have no prospect of ever reaching the Italian shores, assuming they will be picked up near or within Libyan territorial waters;

22. welcomes the very productive step of setting up the European Migrant Smuggling Centre;

23. calls for more initiatives from the European Commission to establish a coherent action plan, involving all the EU Member States, the relevant EU bodies, as well as other bodies concerned by the issue, so as to provide a more effective response to smuggling networks;

24. believes it is essential to improve the effectiveness of the European framework for returning those without a right to stay so that the number of returns can be increased, in compliance with European and international rules;

Border management

25. welcomes the setting-up of the European Border and Coast Guard Agency as an extremely important development and a decisive step specifically towards more effective protection of the EU's external borders. The work of the European Border and Coast Guard Agency is making it possible to improve coordination between the EU Member States and ensures a prompt and efficient response to situations requiring urgent action at the external borders;

26. recognises that there is even more scope for action on the part of the European Border and Coast Guard Agency to help in areas such as: (1) providing technical and operational assistance to support search and rescue operations for people in distress at sea during border surveillance operations; (2) organising, coordinating and conducting return operations and interventions; (3) promoting operational cooperation between the Member States and third countries in relation to managing the EU's external borders; stresses the urgent necessity to reduce the numbers of crossings and to stop dinghies and boats from leaving illegally to reach the EU;

27. urges the European Commission to develop a set of guidelines for setting up and running reception and identification centres ('hotspots') at the external borders of all the EU Member States, guidelines that among other things would ensure the full respect of EU and international fundamental rights and establish a specific administrative framework for these facilities. This will mean drawing on the experience acquired (including that of the relevant LRAs) from setting up and running reception and identification centres in Greece and Italy, which among other things highlights the need to study the specific treatment of refugees and migrants;

Common asylum policy

28. considers it essential that the Common European Asylum System be adapted to the current pressing needs, and in this context believes that it is absolutely essential to review the situation with the Dublin system, which determines the criteria and mechanisms for deciding which EU Member State is responsible for examining an asylum application; in this context, calls on the Member States to make progress on the proposed reform of the relevant EU legislation which, despite being probably not sufficient, goes in the right direction;

29. points out that the prevailing system entails an unequal distribution of refugees and migrants between the Member States, with more pressure falling on Member States (in particular Greece and Italy) whose geographical location means that they receive the overwhelming majority of arrivals. The current situation contributes to social tensions and discontent in the countries dealing with disproportionate numbers of arrivals of refugees and irregular migrants, in particular at the local level, and it generates subsequent secondary migration movements within the EU. If the problem is to be addressed more effectively, it is crucial to consider, with the involvement of the local and regional authorities most affected, the long-term possibility of transferring responsibility for examining asylum applications from national to EU level. Moreover, the CoR calls on the EU Member States to accelerate the procedures for examining asylum applications, without compromising legal certainty;

30. regards as constructive the plan to allocate refugees proportionately between all the EU Member States, while acknowledging that although progress has been made here, the system has not been working 100 % effectively;

31. would argue that applying the principle of solidarity between Member States is a precondition for sound management of the large number of asylum applicants;

32. emphasises that protecting women (especially mothers and pregnant women) and children (especially unaccompanied children), who are the most vulnerable refugee groups, must be treated as particularly important; in Member States where the regions have administrative responsibility for the guardianship of unaccompanied minors, these regions should receive financial aid to enable them to assist these migrant minors;

Legal migration and integration

33. underlines the need to create safe routes to the EU for legal migrants or people entitled to international protection status under international law, such as humanitarian visas, increased family reunification and private sponsorship programmes. To achieve this it is essential both to establish and to broaden existing forms of cooperation with third countries, whether these be the countries of origin of displaced people or countries through which such people are

travelling in order to reach the EU. Setting up hotspots on the territory of third countries is an important step towards this end, and therefore all the necessary measures should be taken by the EU to reach relevant agreements with such countries, ensuring full respect of EU law and international human rights standards. At the same time it will be necessary to develop a coherent framework of guidelines and rules to ensure all the essential elements are in place for the smooth operation of hotspots;

34. considers it a priority to integrate third-country nationals (legal migrants and refugees) as swiftly and as fully as possible into the societies of the EU Member States. Integration should be at multiple levels and should be comprehensive. However, account must be taken both of specific local features in the host countries and of the particularities and diversity (national, linguistic, religious, etc.) of the third-country nationals. The approach must therefore be adapted to the specific circumstances obtaining in each case;

35. observes that the success of integration policies will always rest on the principles of democracy, respect for human rights, gender equality, tolerance, freedom of expression and the rule of law, these being the foundation of European values;

36. believes that the involvement of civil society and the private sector at local and regional level is an essential part of any process aimed at the integration of migrants; in this connection, it should not be forgotten that having access to decent work is a precondition for the successful completion of any integration project. In this respect, draws the Commission's attention to existing best practices at international level that have built their success on the involvement from the outset of the population of the host territories;

37. considers that local and regional authorities have a crucial role to play in the development of 'roadmaps' aimed at the full integration of migrants and refugees. In this respect, urges the Commission to take account of best practices and pilot projects supported by international organisations such as the UNHCR and already launched by European local and regional authorities;

The role of LRAs and of the CoR

38. underlines the particular role that LRAs can and must play in all the above areas. LRAs manage all issues relating to migratory and refugee flows on the ground, and it is therefore essential that they are provided with the necessary financial resources to meet these challenges; this requires an EU budget commensurate with the increased needs and distributed among the authorities according to the activities they actually carry out, under an EU responsibility for the protection of the Union's external borders and migration. Close involvement of subnational authorities and bodies would help to build up a system of governance capable of designing and implementing policies that are coherent and coordinated between the different levels. In this connection, local and regional authorities should be partly responsible for the management of the Asylum, Migration and Integration Fund;

39. finally, emphasises the role of the CoR both as the primary official body representing LRAs at EU level and as a body that can effectively promote dialogue — through organisations such as the Euro-Mediterranean Regional and Local Assembly (ARLEM) and the Conference of the Regional and Local Authorities for the Eastern Partnership (CORLEAP) — with the countries of origin and/or transit of refugees and migrants.

Brussels, 22 March 2018.

*The President
of the European Committee of the Regions*
Karl-Heinz LAMBERTZ

Opinion of the European Committee of the Regions — Boosting broadband connectivity in Europe

(2018/C 247/02)

Rapporteur: Mart Vörklaev (EE/ALDE), Mayor of Rae Municipality**POLICY RECOMMENDATIONS**

THE EUROPEAN COMMITTEE OF THE REGIONS,

General comments

1. notes that, according to the World Bank ⁽¹⁾, the rapid growth of digital technology has significantly reshaped global society and the internet has become a vital element of infrastructure, reducing costs for information sharing and contributing to innovation, which in turn leads to greater connectivity between people, businesses and governments;
2. welcomes the work of the joint Broadband Platform with the European Commission to pursue better cooperation, better regulation and implementation and, of course, better financing for digital connectivity in Europe;
3. is aware of the fact that standard fixed broadband coverage in the EU stood at 97 % of homes in 2015 (with a take-up rate of 72 %) and that services based on wireless technologies have even greater reach. However, there are differences between Member States as regards availability and affordability of fixed broadband across urban and rural areas;
4. points out that, according to the seventh Cohesion Report, more investment will be needed as, while basic broadband services are accessible to all households in the EU, next generation access (NGA) — which is much faster — is only available to 40 % of rural residents compared with 90 % of urban ones;
5. points out that slow internet and low penetration in rural areas, and the specific problems in sparsely populated areas and the outermost regions, could present an obstacle to achieving the EU's ambitious goals for 2020-2025, which, according to the European Commission, could gain the EU an estimated EUR 146,5 billion and at the same time create up to 2,4 million new jobs;
6. agrees with the G20 ⁽²⁾ that the ultimate goal of closing the digital divide is to inclusively give all citizens an equal opportunity to benefit from digital development, the advantages of which range from greater efficiency, via greater social and economic inclusiveness, to greater opportunities to participate in a new economy. The digital divide has two dimensions: access to good broadband connectivity, and the ability and motivation to use internet services;
7. points out that solving the 'last mile problem' is important for the development of the EU as a whole and requires flexible measures;
8. draws attention to the important role that ICT infrastructure and broadband, together with capacity building, can potentially play in the restructuring of rural regions in response to population decline, as rural depopulation and marginalisation are a growing problem throughout Europe;

⁽¹⁾ 'World Development Report 2016: Digital dividends'.

⁽²⁾ 'Digital infrastructure: Overcoming the Digital Divide in Emerging Economies', G20 Insights, April 2017.

Connectivity problems and possible solutions

9. takes the view that there are a number of major challenges that need to be addressed, such as:

- limited very high speed connectivity for fixed and mobile infrastructure throughout the EU,
- the risk of insufficient capacity to deal with rapid market and technological change, such as the rise of the internet of Things,
- administrative burdens resulting from overregulation and lack of consistency, including in the rules on State aid;

10. is concerned about the connectivity demand in certain areas, which demonstrates the importance of school curricula and adult e-learning programmes. Broadband connectivity is not just about funding issues, but also about demand for the development and use of the infrastructure. All public institutions, schools and educational establishments should be equipped with high-speed broadband connections;

11. notes that, in some countries and regions, limited technical knowledge and a lack of information on funding options for broadband infrastructure and on best practices can also be problematic;

12. warmly welcomes the establishment of specialist Broadband Competence Offices and the cooperation between the European Commission's various directorates-general in pursuit of a common goal. This should also be reflected in the forthcoming EU budget;

13. considers it necessary for competence centres to be set up in all Member States, forming a shared network for cooperation, and for local and regional authorities to contact these centres before looking for solutions: consultations should be undertaken in advance to find optimal solutions based on specific national and regional circumstances;

14. welcomes the five-point toolkit for rural areas of the EU, which should bring about progress towards better broadband coverage;

15. is paying close attention to how the potential of the 'smart villages' concept from the Cork 2.0 declaration 'A Better Life in Rural Areas' unfolds. This involves investing in ICT in order to improve quality of life and ensure access to public services and infrastructure, while at the same time being sensitive to local circumstances;

16. in this regard, welcomes the increased focus on proportionate regulation and infrastructure competition to promote investment that characterises the network access provisions, and the emphasis on market-based collaborative solutions promoting further infrastructure deployment in local areas and regions where the business case is not straightforward. It is important for access regulation to contribute to avoiding a digital divide for very high capacity networks and to strengthening territorial cohesion;

17. considers it necessary, in the interests of competition in both the fixed and 5G markets, to separate services from networks, along the same lines as the energy sector (unbundling). For example, in a number of Member States (Sweden, the United Kingdom, etc.) telecommunications services have been completely separated from network operation. In the CoR's view, fibre networks should belong to telecommunications companies whose business model is based on equal access for all service providers. This would mean that large numbers of service providers could operate on the market and that consumers could choose services based on their desired value for money, and would also safeguard the long-term development of the sector;

18. considers that this would provide equal opportunities for all in the development of 5G networks: there should be no dependence on basic infrastructure owned by the telecommunications companies that dominate the market. The EU itself should therefore support the development of open networks and steer the Member States in this direction, such that all new and existing fibre networks are operator-neutral;

19. stresses the importance of more granular geographical surveys of existing infrastructure and future planned projects, for the purpose of market analysis and to identify areas with insufficient coverage. As these areas tend to be in sparsely populated and less favoured regions, properly identifying them will increase the effectiveness of public funding;

20. calls for legal provisions in the Member States to ensure that existing infrastructure (electricity networks, pylons, etc.) can be used as flexibly as possible when expanding the broadband network, thus saving time and money when providing new broadband coverage;

21. stresses that, in the current programming period, EUR 14 billion is available from the ESI funds for creating broadband infrastructure;

22. supports efforts to promote broadband expansion by strengthening cohesion policy, inter alia, to ensure it can address the most severe market failures in the rural, sparsely populated areas of the EU. This does not rule out increases in financial instruments (such as loan financing) in cooperation with the European Investment Bank and other development banks;

23. Supports an enhanced role for the Connecting Europe Facility (CEF) and EFSI in funding financial instruments and blending facilities (combining grants with financial instruments) to address more moderate types of market failures, such as the lack of equity finance for smaller projects in more viable areas. Such complementary interventions would ensure a high quality broadband connectivity across all regions of the EU;

24. recommends using a joint broadband platform as a cooperation tool, and involving the Directorate-General for Regional Policy in this platform's work;

25. supports efforts to promote take-up of EU programmes and to develop new concepts for public-private partnerships for investing in broadband expansion;

26. reiterates its call that, in areas where large companies are not interested in investing and small ones find it difficult to meet requirements, simpler models, which make it easier for small businesses to invest and offer solutions in these under-served areas, be developed, or projects for the development of broadband be recognised as services of general economic interest ⁽³⁾;

27. points out, in this connection, that it is important to simplify procedures, as technology develops faster than the related structures are deployed;

28. takes the view that properly effective development plans for broadband rollout can only be developed in consensus between telecommunications companies, governments and local and regional authorities, taking into account the interests of all States, cities and regions. In countries where such an agreement has been reached (Sweden, United Kingdom, etc.), broadband rollout is already at a more advanced stage. If no agreement is reached, broadband coverage risks remaining inadequate outside urban areas;

29. welcomes the European Investment Bank's excellent initiative to create a Broadband Fund and calls for it to be implemented quickly; hopes that it will particularly help to finance small projects and to eliminate 'white spots';

30. refers back to its recommendations to the High Level Group (HLG) on simplification post-2020, which stressed the need to align State aid and public procurement rules for ESI funds with those for centrally managed programmes. The CoR

⁽³⁾ COR-2016-02880.

reiterates its call for an assessment of the feasibility of exempting some or all ESIF spending from State aid procedures post-2020. In this context, the CoR is pleased to note that its recommendations on the need for common definitions to compare and combine funds have been taken up by the HLG ⁽⁴⁾;

31. in particular, believes that the EU guidelines for the application of State aid rules in relation to rapid deployment of broadband networks should be aligned with the various EU funding options for broadband rollout, and is concerned about the number of pre-notifications that are rejected, which ultimately delays or even prevents the mobilisation of investment and is therefore responsible for the slow progress in expanding broadband coverage in these areas;

32. is pleased — as mentioned in its recommendations to the HLG on Simplification — that the principle of a differentiated approach is also being considered. Such an approach should significantly reduce the burden and allow better account to be taken of the specificities of the implementation context in the regions in question, and thus facilitate a place-based approach and encourage tailored investment in broadband expansion;

33. recommends rolling out comprehensive high-speed broadband as soon as possible, in order to open the way for the gigabit society, to make the most of the opportunities offered by the digital single market, and thus to contribute to the development of all Member States in this area. In order to achieve this goal, a variety of solutions must be pursued because connecting each individual house to the fibre network can be costly and time-consuming, especially in sparsely populated areas;

34. feels that, in addition to cable connections, in scattered settlements and inaccessible areas it would be worth considering and assessing the potential of mobile broadband, satellite broadband and the development of public Wi-Fi networks in public areas and public institutions, such as the WiFi4EU initiative. Finding alternative solutions accelerates network expansion and at the same time saves money, but it is important to take a thought-out, systematic approach to ensure that the solutions meet people's needs and the technologies are viable in the long-term;

35. stresses the importance of addressing the new radio spectrum management challenges raised by the rapid development of 5G communications networks, as 5G technology relies on high-capacity networks throughout the EU. It is very important to seek a common approach for the allocation of licences for the higher frequencies (spectrum) that will be used in future, including, where appropriate, greater regulatory predictability in terms of shared use of spectrum and greater flexibility, to respond to differences in demand for harmonised spectrum bands at national or local level;

36. endorses the main measures in the Electronic Communications Code, such as introducing new provisions to support the rollout across Europe of very high-speed networks capable of gigabit-per-second speeds, broadening the scope of the legislative framework to cover the new communications tools known as 'over-the-top services', and providing affordable functional internet access to end users;

37. welcomes the European Commission's 'European Broadband Awards' contest, which helps to disseminate best practices and alternative solutions to the issue of broadband coverage.

Brussels, 22 March 2018.

*The President
of the European Committee of the Regions*
Karl-Heinz LAMBERTZ

⁽⁴⁾ COR-2017-04842-00-00-PAC-TRA (EN).

Opinion of the European Committee of the Regions — Mid-term review of the ESF preparing the post-2020 proposal

(2018/C 247/03)

Rapporteur: Catiuscia Marini (IT/PES), President of the Umbria Region

POLICY RECOMMENDATIONS

THE EUROPEAN COMMITTEE OF THE REGIONS,

Cohesion policy

1. draws attention to the importance of regional cohesion policy as a founding policy of the European Union in that it pursues the aims of the EU as defined in the EU Treaties, involving and empowering all levels of government and taking into account specific subnational situations;
2. stresses that cohesion policy is among the most monitored and evaluated European policies, as can easily be seen from the many years of assessment and from the findings of the cohesion reports regularly produced by the European Commission and discussed in a number of forums;
3. draws attention to the widespread nature of this policy, causing it to be widely known by the European public, thereby contributing to a positive perception of Europe among the public, in a period of history in which the EU badly needs to improve its image;
4. considers a new legally binding Common Strategic Framework covering all EU policies, maintaining the existing multifund territorial delivery tools (CLLD and ITI), to be important; considers a robust Common Provisions Regulation covering all ESI funds to be equally important, being essential to ensure the necessary synergies between policies that pursue complementary objectives;
5. refers to its recent Opinion on the future of Cohesion Policy⁽¹⁾ (adopted in May 2017) and on simplification⁽²⁾ (adopted in February 2018) which outlined the main guidelines for further improvement of the policy, especially in terms of a stronger results orientation and greater simplification;
6. is, however, aware of the poor representation of the results and impact of cohesion policy, which, in that it does not lead to proper promotion of this policy, at times has negative effects on public perception of the Structural Funds;
7. therefore calls for the development of a more effective, inclusive communications device that can create a positive, engaging narrative regarding the use of the funds.

Role of the European Social Fund

8. points out that the European Social Fund (ESF) was the first EU funding instrument created by the Treaty of Rome (1957), and remains the principal European Union instrument which directly benefits the public in relation to employment, social inclusion and education policies and plays a significant role in reforming public administrations and the judiciary; as such, the ESF promotes full employment, aims to improve work productivity and equal opportunities, promotes social inclusion, reduces the employment rate disparities between and within European regions and between the different cities and rural areas;

⁽¹⁾ COR 1814/2016.

⁽²⁾ COR 4842/2017.

9. highlights the positive impact of the implementation of programmes financed by the ESF: it is estimated that between 2007 and 2014, thanks to ESF support, 9,4 million European citizens gained employment and 8,7 million gained a qualification ⁽³⁾;
10. regrets that many Member States have reduced the co-financing of ESF measures — often in part as a result of fiscal consolidation policies — and consequently urges the Member States to ensure an adequate level of national co-financing;
11. highlights, however, the role of ‘automatic stabiliser’ — which increased in the last years of the last programming period — played by the ESF in supporting the measures of the European Economic Recovery Plan during the economic crisis, when it proved to be sufficiently flexible through the increase of EU co-financing rates and the modulation of pre-financing in safeguarding social investment in regions suffering asymmetric economic shocks as well as in responding to challenges and supporting the most vulnerable and exposed groups;
12. calls for a closer relation between the proportion of socially excluded people and the allocation of resources; underlines that a more territorially targeted and a stronger place-based approach to the use of Funds would increase the efficiency and effectiveness of support;
13. also insists that the role of the ESF with regard to the overall share of public investment in social policies remains all the more essential as the minimum infrastructure gap in social infrastructure investment is estimated at EUR 100-150 billion per annum in the EU and represents a total gap of over EUR 1,5 trillion in 2018-2030. The European Fund for Strategic Investment (EFSI) is only compensating that gap in a very limited way as currently only 4 % of approved financing supports social infrastructure projects; underlines the need to strike a balance and avoid duplication between planned investments in social capital co-financed under the ESF and social, skills and human capital investment under a possible future InvestEU Fund;
14. welcomes the measures put in place in the 2014-2020 period to strengthen the role of the ESF – both active employment policies and social inclusion policies – such as the introduction of a minimum guaranteed ESF share, specific support for the Youth Employment Initiative (YEI), and the focus on results and performance;
15. stresses the encouraging results achieved thus far in the current programming period, as can be seen from the Strategic Report 2017: interventions to increase access to the labour market reaching 4,2 million unemployed and 2,1 million inactive individuals; EUR 14,6 billion of investments in education and vocational training; with 700 000 people having upgraded their skills; 634 000 people with disabilities have been helped to find a job;
16. notes the high European Added Value of the ESF in the previous and current programming periods, as ESF interventions had in many Member States and regions tangible and quantifiable impact in tackling issues such as high unemployment rates, demographic decline and poverty flagged as European priorities under the Europe 2020 Strategy;
17. notes the importance of the fact that a significant part of resources has been devoted to consolidation and capacity-building support for local and regional authorities in order to assist them in implementing structural reforms, inter alia, in keeping with the reform plan of each Member State;
18. is concerned, however, about the delays in implementing measures to further the integration of marginal and rural areas, calling for greater focus on promoting social inclusion in deprived urban and rural areas, particularly as regards the economic and social integration of young people.

⁽³⁾ Commission Staff Working Document on the Ex-post evaluation of the 2007-2013 ESF Programmes (SWD(2016) 452 final).

The social dimension in European policies

19. considers the European Pillar of Social Rights to be important for the EU's contribution to economic and social progress, fighting discrimination and social exclusion, helping people adjust to labour market needs, empowering them to harness the digital revolution, and protecting them from the ever-greater threats and uncertainties within and outside its borders;

20. reiterates the importance for border regions of promoting true cross-border labour mobility by removing barriers in labour law and social security (eradicating tax barriers, exporting unemployment benefits and making pension rights transferable); also reiterates that LRAs can also play an important role in the field of advice for commuters using the EURES services or existing cross-border structures ⁽⁴⁾;

21. therefore stresses the particular importance of the European Pillar of Social Rights, which places the social dimension at the heart of the European agenda; underlines to this effect the need to coordinate the strategies and objectives that should exist between the Social Pillar and the ESF ⁽⁵⁾ and urges that within the 20 key principles contained in the Pillar, those which are relevant should be reflected in the programmes supported by the ESF;

22. recommends that the principles of the social pillar be implemented in the context of ESF programming with due regard for the need to develop integrated measures that reflect specific subnational situations and medium-term EU job market trends, as expressed by local and regional authorities, and European Union employment prospects;

23. highlights the substantial areas of integration between the social pillar and cohesion policy, given that the latter — with its particular model of multi-level governance — can reconcile the delivery of 'European format' projects with the 'social contracts' typical of each Member State;

24. considers it necessary to accompany the debate on the social pillar with an initial assessment at European level of the process and implementation outcomes of Thematic Objective 9 (Social inclusion and combating poverty) seen in relation to the different Member States' welfare models and the crises/changes they are going through, as it would be difficult to understand the objective's contribution to the pillar without referring to the situation on the ground.

25. warns against possible duplications between a future Structural Reform Programme and potential areas of support to structural reforms addressed by European Structural and Investment Funds through thematic concentration based currently on Europe 2020 Strategy objectives and a later stage on its successor strategy. To this effect, calls for a definition of the scope of structural reforms eligible to EU support on the basis of competences and EU added value as well as a clear-cut distinction between support eligible on the basis of cohesion policy (Article 175) and support eligible on the basis of administrative cooperation (Article 197);

Post-2020 recommendations

26. calls for the process of defining the proposal for the next MFF (Multiannual Financial Framework) to be launched in due time to allow citizens and key stakeholders to be sufficiently involved, thus avoiding the delays in the adoption of the regulations and guidelines which have delayed the start of the current programming period;

27. building on the CoR study on the 'State of play and future challenges of the European Social Fund in promoting social cohesion in Europe's cities and regions', points to the growing role that the ESF is called to play in the coming years, with particular reference to the challenges of long-term unemployment, integrating young people into the labour market, an ageing population and marginalisation of internal outlying and border areas, depopulation of rural areas, demographic changes as a result of migration, integrating refugees and migrants, combating social exclusion in urban areas, certain skills shortages and adapting general, vocational and higher education to technological progress, combating social exclusion of

⁽⁴⁾ COR 1319/2014.

⁽⁵⁾ COR-03141/2017.

disadvantaged groups, support for education from pre-schoolers to seniors, and support for adults with low levels of knowledge and skills as well as adapting education standards to the needs of the EU job market;

28. insists on the complementarity between the EGF and the ESF as part of the European Structural and Investment Funds (ESIF) since the EGF is a mechanism that delivers short-term assistance while long-term measures are supported by ESIF which can act as follow-up measures in the EGF areas;

29. stresses the unprecedented scale of the current digital revolution and the powerfully effect it is having on the labour market and will have to an even greater extent in the future, pointing out the challenges this poses for the education and training systems in terms of adapting to new skills requirements and increasing learning opportunities for all individuals at every level of general and vocational education and in higher education and training;

30. proposes that, in future, a set of core measures be identified as part of the ESF, in order to ensure that disadvantaged young people have access to a minimum level of education and are provided with the means necessary to acquire an adequate level of skills;

31. considers it extremely important to ensure the necessary flexibility to be able to adapt ESF programming to any new challenges that might arise;

32. stresses the need to support this digital revolution by fostering integration between investments in digital technology on the one hand and support for individuals on the other, including those operating in local and regional public organisations;

33. therefore considers that for the challenges posed by the need to adapt to technological change and globalisation to be addressed successfully, a joined-up combination of the different European incentive and support instruments is needed, applied in a mutually reinforcing way in pursuit of the objectives defined in the respective smart specialisation strategies;

34. firmly believes that in order to tackle these challenges the ESF should remain an integral part of the ESIF and a key element of regional cohesion policy, to harness every possible synergy in terms of integration with measures financed by the other Structural Funds and the rural development funds; the ESF must effectively interact with other Structural Funds, particularly the ERDF, in order to achieve regional policy which is integrated through joint Structural Funds measures;

35. also firmly believes that the possibility of the ESF to be a shared managed fund must be preserved and therefore strongly rejects any proposal to link the ESF to a model of direct management by the European Commission, and also rejects any possibility of centralisation under the sole responsibility of Member States, unless this is stipulated by the institutional arrangements of the Member State;

36. believes that a key success factor in the delivery of the ESF is its bottom-up approach, which makes it possible to better adapt interventions to the needs of beneficiaries by means of partnerships between European institutions, Member States, regional and local governments and the area's economic and social players;

37. calls for specific mechanisms to be introduced, at local and regional levels, for coordination between the ESF and other ESIF and instruments. These should enable complementarities at the level of operations, including possibilities for support from multiple funding sources within one operation;

38. approves of the scenarios whereby other funds operating in the social and employment policy field are integrated into the ESF (ESF+ or umbrella fund), provided that this leads to the achievement of clear synergies and that these funds also follow the shared management model. These synergies would be particularly obvious with the Asylum, Migration and Integration Fund (AMIF), which operates in a shared management scheme;

39. points out that the ESF will continue to be important at local and regional level in tackling the issue of early school-leaving and the transition from school to work, and in improving the education system's ability to address these problems;
40. suggests that adapting the ESF at regional level could ensure that the skills needs of businesses in different regions are met, by means of appropriate training and matching of jobseekers and employers. The ESF is essential for measures to ensure the supply of the right skills at regional level and for enabling adaptation within certain sectors, such as those facing major challenges due to digitalisation;
41. at the same time, expresses concern that the creation of the umbrella ESF might lead to an overall reduction in the resources devoted to employment and social inclusion, and weaken the role of local and regional authorities in the programming and management of these funds;
42. agrees that there is a need to give the ESF greater visibility in the MFF, and advocates — within the cohesion policy heading — the creation of individual subheadings for economic, territorial and social cohesion respectively, calling, in general, for a more transparent MFF structure, to make it easier for the European citizens to see what the EU's priorities are;
43. regrets that the recent European Commission's Communication on 'A new, modern Multiannual Financial Framework for a European Union that delivers efficiently on its priorities post-2020' ⁽⁶⁾ omits the information on how the next MFF should tackle the social challenges for the European Union and leaves little margin for stakeholders to shape the European Commission's proposal for the next MFF, due to be presented on 2 May 2018;
44. reiterates that pursuing the economic development and social inclusion objectives requires a joined up, organic approach that can be better achieved by implementing programmes financed by several funds or by one fund with a wide and flexible scope. Therefore, the CoR acknowledges the importance of multifund territorial development instruments such as multifund operational programmes, ITIs and CLLD, rejecting all attempts to introduce a requirement for single fund programmes;
45. calls, therefore, for further harmonisation — as well as streamlining — of the Common Provisions Regulation, so that the disparities, gaps and duplications between the funds' operating rules are minimised and so that rules are defined in a simple, transparent way, leaving sufficient flexibility for tailored solutions to be developed at national, regional and local level, including an extension of 'payment by result' tools as well as Joint Action Plans and Simplified Costs Options; calls, in this regard, for further guidance from the European Commission on the use of Simplified Costs Options at all levels, without any restrictions or requirements on their minimum thresholds;
46. stresses the key role played by the ESF in responding to the employment, education and social inclusion guidance set out in the Country Specific Recommendations, calling for better alignment of a reformed European Semester and cohesion policy. The European Semester should indeed be further democratised at European and national level, better defined in terms of European added value and relation with EU competences and also be more focused on ownership, to which could contribute the adoption of a Code of Conduct setting standards for the involvement of local and regional authorities as well as the setting up of a 'structural dialogue on the state of cohesion in Europe' to be incorporated into the European Semester process;
47. is therefore opposed to merely making cohesion policy subordinate to the European Semester, which would undermine its status enshrined in the Treaties, calling rather for structured involvement of local and regional authorities as partners in the European Semester process, the integration of a territorial analysis into the whole process, and the introduction of territorial specific recommendations when possible;
48. proposes that, in keeping with the opinions adopted by the CoR on Indicators for territorial development — GDP and beyond and on The future of cohesion policy beyond 2020, the use of indicators other than GDP which take account of demographic, social and environmental data, such as the European Social Progress Index, also be considered.

Brussels, 22 March 2018.

The President
of the European Committee of the Regions
Karl-Heinz LAMBERTZ

⁽⁶⁾ COM(2018) 98 final, published on 14 February 2018.

Opinion of the European Committee of the Regions — The cost and risk of non-cohesion: the strategic value of cohesion policy for pursuing the Treaty objectives and facing new challenges for European regions

(2018/C 247/04)

Rapporteur: Mieczysław Struk (PL/EPP), President of Pomeranian Region

Reference document: Report from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: My region, My Europe, Our future: The 7th report on economic, social and territorial cohesion

COM(2017) 583 final

POLICY RECOMMENDATIONS

THE EUROPEAN COMMITTEE OF THE REGIONS

General remarks

1. welcomes the publication of the 7th Cohesion Report as an important point of departure in the debate on the new Cohesion Policy beyond 2020; underlines, in this respect, that Cohesion Policy 2014-2020 is expected, e.g. to provide more than 7,4 million jobs, better qualifications for almost 9 million people and broadband internet for some 15 million households, but also to support investments in 1,1 million SMEs and to inject EUR 16 billion in the digital economy; points, therefore, to the inestimable cost of 'non-cohesion', given that European territorial convergence is more vital than ever to Europe and its citizens, its economy as well as its cities and regions;
2. appreciates that the European Parliament regularly maps the cost of non-Europe since it proves that the absence of common action at European level in certain areas leads to a significantly lower efficiency of the economy as well as to a limited availability of important public goods;
3. regrets, in this context, that the European Parliament and the European Commission have so far not included the question of the cost of non-cohesion in their analytical work and decision-making processes;
4. thanks the Bulgarian Presidency of the Council of the European Union for its request to the CoR to draw up an opinion on 'The cost and risk of non-cohesion', which provides the CoR with an excellent opportunity to enter into a wider reflection on the strategic role of Cohesion Policy;
5. recalls the fundamental fact that strengthening the economic, social and territorial cohesion of the European Union is one of the EU's main objectives stipulated in Article 174 of the Treaty on the Functioning of the European Union; the CoR therefore stresses that Cohesion Policy must continue to fulfil its mandate to combine support for least-developed and troubled areas with an offering to all regions, in order to take into account their respective regional challenges and potentials and to promote the harmonious development of the EU as a whole, thus clearly demonstrating the added value of EU funding to citizens on the ground; recalls, in this respect, the specific features of the regions identified in Article 349 TFEU;
6. underlines that Cohesion Policy is the main European investment policy aiming to achieve the Treaty objectives mentioned above, but also able to stimulate innovation, to manage the impact of climate change and the transition to a low-carbon economy as well as to mitigate asymmetric economic shocks by safeguarding public growth-friendly investment in regions, helping to reduce youth and long-term unemployment and promote social inclusion; consequently, the CoR reiterates its strong support for the #CohesionAlliance⁽¹⁾;

⁽¹⁾ www.cohesionalliance.eu

7. notes that Cohesion Policy has one of the best-developed performance frameworks among EU policies, and is the most accurately monitored and best evaluated EU policy able to increasingly improve its effectiveness over the past decade;

Economic cohesion

8. welcomes the observations of the 7th Cohesion Report that the EU economy is recovering from the economic crisis and that the regional disparities have just started to narrow again. However, with many regions not having reached their pre-crisis levels of GDP per capita and employment, but also having experienced a significant backlog in terms of public investment, the impact of the economic crisis has not yet been overcome;

9. welcomes the evidence cited that between 2000 and 2015 the less developed regions were able to catch up with the EU average, which is particularly the case for most regions in EU-13 countries. However, notes with concern that the situation in a number of regions, mainly in southern Europe, has not improved and is even worse than before the crisis;

10. points out that economic growth was also much faster in regions with GDP already well above the EU average and in particular in many metropolitan areas, which are the main drivers of regional competitiveness. On the other hand, it can be observed that regions with a GDP per capita close to the EU average seem stuck in a 'middle-income trap' with significantly lower growth rates than the EU average;

11. expresses concern about the wide diversity of innovation performance, which not only remains territorially concentrated in the most developed regions in the north-west of the EU, but is also tending to widen, with leading regions improving their performance and a declining performance in peripheral, less-developed and transition regions. This proves the importance of a bottom-up place-based approach, represented by smart specialisation strategies, in supporting the innovative capacity of regions;

Social cohesion

12. welcomes the fact that the employment situation in the EU is improving alongside the economic recovery. Nevertheless, regional disparities in unemployment rates still remain significant, with several regions in southern Member States experiencing unemployment rates of more than 20 %;

13. notes with concern that youth unemployment remains a pressing problem, because it continues to exceed the pre-crisis level, and is more than twice as high as the overall unemployment rate. The situation in less developed and transition regions is particularly worrying;

14. draws attention to the situation of people at risk of poverty and social exclusion, which, despite some positive developments, remains unacceptably high;

15. highlights that many territories, mainly the EU-13 regions and rural areas, have faced a significant population decline, caused by both natural change and outward migration, whilst other regions have experienced a large growth in total population. The large number of migrants and refugees arriving in the EU since 2015 also has a significant impact in terms of demography and social cohesion on certain Member States, regions and cities;

Territorial cohesion

16. stresses the importance of the environmental dimension for the sustainable development of Europe's cities and regions and for the health and well-being of its citizens. The increasing number of environmental considerations — notably climate change and the resulting increase in the frequency and intensity of natural disasters, the extension of human settlements, built-up areas and industrial activities, the loss of biodiversity and the fragmentation of habitats, and other pressures on the environment such as air and water pollution — have potentially damaging consequences for the EU economies and societies. Despite the progress made in reducing environmental pressures, the CoR expresses its concern that the key environmental objectives remain unfulfilled, particularly in the central and eastern parts of the EU;

17. welcomes the substantial progress made in limiting energy consumption and greenhouse gas emissions, but also notes that part of this progress has only been the result of the reduction of activity during the economic downturn, meaning that additional efforts are needed to achieve a shift to clean energy sources, including renewables, and more energy efficient economy, including low-emission transport;

18. draws attention to the territorial dimension of climate change and climate-driven natural disasters, which have an uneven impact on regions. The CoR highlights, therefore, the importance of in-depth vulnerability evaluation and adaptation measures for European cities and regions, as well as the provision of green infrastructure;

19. highlights that the EU transport network, mainly the railway system, is far from optimal, especially in EU-13 regions. The CoR underlines, in this respect, that completion of TEN-T, especially the Core Network linking major nodes, and its integration with national and regional transport systems are necessary not only to remove bottlenecks, reduce travel times and weaken the adverse effects of the peripheral location of some regions, but, above all, to stimulate the economic development of the entire EU by making the single market more efficient. For the same reasons, the CoR stresses that the digital transformation is one of the major challenges facing all EU regions and highlights the importance of increased investments in broadband infrastructure and digital skills;

20. points out that nearly one third of EU citizens live and work in border regions, which generally perform less well economically than other regions. Despite the significant progress made in the last decades, borders still continue to obstruct the movement of goods, services, people, capital and ideas. This prevents the benefits of integration from being fully realised. Removing border-specific obstacles would bring border regions significant gains in terms of GDP but also significant reduction of border-specific costs;

Challenges for cities and regions

21. points out that demographic change is one of the major challenges facing the EU, and has widespread economic, social and environmental implications. It includes an ageing population, a decline in the number of young people, a lower birth rate, reduction of the active labour force and brain drain (outflow of talents). This means that demographic growth largely depends on migration, which varies widely among regions in the EU. These imbalances generate a substantial socioeconomic impact both on areas suffering from depopulation and ageing — mostly in transition regions — which are often experiencing a shift to non-tradeable local services, limiting their export, growth and innovation potential, as well as on major urban centres experiencing a population influx. The CoR points out, therefore, that Cohesion Policy should play a more vigorous part in tackling social challenges, including ageing, diseases linked to lifestyle and unemployment, especially among youth and NEETs, as well as integration of migrants and refugees, poverty and social exclusion;

22. highlights that extreme weather events are likely to increase in frequency and impact throughout Europe. The effects of climate change differ widely between regions, but the increased exposure to disaster risk pushes potential losses upwards, especially in densely-populated areas;

23. underlines the importance of cross-border, transnational and interregional cooperation for strengthening territorial cohesion, encouraging solidarity between EU regions, and providing substantial added value to EU objectives;

24. highlights the fact that regions and cities are facing unprecedented challenges, ranging from global competition, digital transformation and the rise of disruptive technologies, demographic changes and migration, the risk of poverty and social exclusion to energy security, climate change, and the loss of biodiversity. All of these challenges have a strong territorial impact with an uneven distribution of benefits and costs across the regional economies and communities of Europe, which is confirmed by the 7th Cohesion Report showing the emergence of so-called regional development clubs. The potential of these challenges to mutually reinforce and to negatively transform the economic, social and territorial landscape of Europe is immense and may significantly contribute towards widening of existing inequalities, thus negating the Treaty objective of strengthening the cohesion of the EU;

25. underlines, in this context, that Cohesion Policy must continue to invest in all EU regions since their adaptation to the abovementioned shocks requires long-term, place-based and place-sensitive strategies able to integrate the economic, social and territorial dimensions as well as to exploit synergies across all European Structural and Investment Funds and with other EU instruments. The CoR reiterates strongly, therefore, its objection to the potentially damaging consideration of the social dimension, and the European Social Fund, separately from Cohesion Policy; at the same time the CoR confirms its position on the growing role that the ESF should play in promoting territorial social convergence and the need to strengthen the role of regional and local authorities in the programming and management of the ESF;

26. points out that, based on Article 174 TFEU, it is crucial to take account of the territorial impact of public interventions and, therefore, reiterates the importance of territorial impact assessments when designing EU public policies to maximise their efficiency;

The role of Cohesion Policy

27. stresses that Cohesion Policy should be central to the discussion on how the potential of all parts of the EU can contribute to economic growth and how all EU citizens can benefit from European integration in an inclusive way, but also how to ensure that all parts of the EU can exploit the opportunities stemming from global transformation. The CoR, therefore, reiterates its support for securing a strong and improved Cohesion Policy for all regions beyond 2020 and underlines the significant role that Cohesion Policy should continue to play in the future of the EU, as outlined in its opinion on 'The future of Cohesion policy beyond 2020' ⁽²⁾;

28. recalls that Cohesion Policy, supported by Member States' regional policies, is intended to ensure a level playing-field that enables the whole of the EU to exploit the full benefits of the single market, which — along with territorial resilience — is a key determinant of the EU's competitive position on the global stage. The CoR, underlines at the same time that, even though the single market has been a successful 'convergence machine' for the EU, the gains are not distributed equally and do not automatically trickle down to disadvantaged regions, including those with specific geographical challenges, and social groups. Hence, there is still a risk of increasing economic and social disconnection between the 'engines' of EU growth and other regions;

29. stresses, in this context, that the mission of the Cohesion Policy remains extremely valid, since it enables all EU citizens, especially from the less developed territories, to benefit from the advantages offered by EU integration. By using its tools the less developed regions are able to unlock and exploit their endogenous potential, while the stronger ones are better equipped to respond to global challenges. In this respect, Cohesion Policy is the most tangible expression of European solidarity, offering equal opportunities and a better quality of life to people in all EU regions. The CoR, highlights, therefore, that future Cohesion Policy should not be treated as a gift but as an indispensable pillar of a single market linking diverse countries and regions with uneven levels of development;

30. underlines that Cohesion Policy is the main European policy for combating territorial imbalances and for narrowing the development gaps arising from the different challenges. It has been successful in making a significant contribution to positive economic, social and territorial change in the EU, due to a complex cross-sectoral approach aiming to support innovation, SMEs, a low-carbon economy, transport infrastructure, urban regeneration, industrial transformation, rural diversification, but also education and skills, employment, culture and social infrastructure, as well as social inclusion, to name just a few. The CoR, in this respect, underlines the need to ensure stronger synergies and coordination between Cohesion Policy and the EU's sectoral policies and programmes;

31. underlines the fact that, in view of the large number of challenges and their serious territorial dimension, a strong and effective Cohesion Policy for all EU regions is needed more than ever for a strong and effective European Union. The CoR reaffirms that Cohesion Policy has the capacity for a flexible and place-sensitive response to current and emerging challenges, especially these deriving from acute crisis situations linked to globalisation; stresses at the same time that the overriding objective of an economically, socially and environmentally robust Europe and greater territorial cohesion can only be achieved if both urban and rural areas, as complementary functional spaces, become stronger with adequately dedicated support;

⁽²⁾ OJ C 306, 15.9.2017, p. 8.

32. points out that Cohesion Policy instruments should be improved in future with a view to greater simplicity and greater capacity to react to new challenges, but they must not become overly complicated since it is hardly possible to combine delivering economic and social convergence, tackling business cycles, safeguarding fiscal discipline and preventing political erosion; recalls, in this context, its support for a differentiated approach in order to simplify and reinforce the management and control system within Cohesion Policy;

33. highlights the need to strengthen the role of European Territorial Cooperation in removing border obstacles and fostering cross-border cooperation aiming at concrete outcomes for EU citizens. In this context, calls for future ETC programmes to be flexible enough to accommodate the specific needs of different border regions including scope for people-to-people and small scale projects. The CoR sees, moreover, a need for the elimination of the 150 km limit imposed on maritime cooperation, as well as a need for a more proportionate approach with regard to state aid, audit and control requirements in ETC programmes ⁽³⁾. The CoR also points out the growing need to make greater use of macro-regional strategies, which should be supported by Cohesion Policy along with other EU policies;

34. calls upon the European Parliament and the European Commission to develop a 'Cost of non-Cohesion' methodology in order to provide additional quantifiable evidence on the European Added Value of Cohesion Policy;

The values behind Cohesion Policy

35. highlights that the implementation of Cohesion Policy has many positive spill-over effects since it contributes to a better quality of governance and better institutions in many regions. It is not only a key prerequisite of economic growth, but also a firm basis for the well-being of society at large, including citizens' trust and the EU's political legitimacy. The CoR notes that Cohesion Policy should continue to push for a new administrative culture in the regions by strengthening multi-level governance, the partnerships principle, medium-term economic planning, multi-annual programming and funding, integrated place-based approaches and instruments, but also transparent and evidence-based decision-making processes, *ex ante* conditionalities, result-orientation, thematic concentration, incentive-driven mechanisms, advanced management systems as well as communication measures to translate its direct effects to citizens;

36. highlights that Cohesion Policy is the most effective EU policy in overcoming policy silos. It has the potential to be the main engine for structural transformation in the EU by bringing together various sectoral policies through integrated, place-based and smart specialisation strategies providing tailor-made solutions based on the comparative advantages, development opportunities and challenges of a given territory, as defined by citizens, entrepreneurs and administrations on the ground;

37. points out, in this respect, that Cohesion Policy can be much more efficient, if the Member States are determined to implement those structural reforms and *ex ante* conditionalities, which contribute to a better implementation environment for Cohesion Policy, including enhanced institutional capacity. The CoR also insists that any further link, including financial, between structural reforms and Cohesion Policy would require active involvement of regional and local authorities via a Code of Conduct for the European Semester in order to increase the efficiency and ownership of the process; it is also indispensable for every structural reform to pass a prior European Added Value test and to confirm its direct relation to Treaty objectives ⁽⁴⁾;

38. notes that Cohesion Policy has proved that empowerment of regional and local actors is crucial to facilitating structural transformation. Moreover, research shows that there is untapped potential to increase country-wide productivity by improving the performance of regions. This is why the CoR underlines that regions and local authorities need to have stronger linkages to smart and strong Cohesion Policy, as part of the broad-based promotion of complex and robust development strategies. This should give the EU legitimacy at local and regional level by making the European integration process more tangible for citizens;

⁽³⁾ CoR workshop on simplification of ETC (<http://cor.europa.eu/en/events/Documents/COTER/Simplification/ETC-WORKSHOP-FINAL-REPORT.pdf>).

⁽⁴⁾ CoR Resolution on changing the ESI funds Common Provisions Regulation to support structural reforms — COR-2017-06173-00-00-RES.

The cost and risks of non-cohesion for the European Union: early warning message

39. stresses the utmost need to provide a policy framework succeeding the Europe 2020 Strategy to upkeep thematic concentration and territorial responsiveness of Cohesion Policy after 2020;

40. underlines that downgrading or fragmenting of Cohesion Policy, for example by restricting it to certain categories of regions or by detaching the European Social Fund, would bring major political risks, calling into question the capacity of the EU to fulfil the Treaty objectives of strengthening economic, social and territorial cohesion due to a lack of critical mass of support in many regions, meaning also lower investments in key European objectives;

41. highlights, in this respect, its concern that the non-cohesion in the European Union, in the worst-case scenario, could lead to:

- (a) an increase in economic and social disparities between regions and greater tensions among Member States;
- (b) the disintegration of the single market and less effective EU economic governance;
- (c) non-implementation of the European Pillar of Social Rights;
- (d) severe obstacles in addressing the migration challenge;
- (e) a decline in confidence and trust in EU political institutions and democracy itself, in turn leading to a surge of populism and nationalism and thus to political instability and ultimately even to the disintegration of the EU

42. therefore considers that overcoming the still persisting economic, social and territorial divide in the EU constitutes the key long-term challenge for the European Union as a whole;

43. reiterates, in this context, that Cohesion Policy cannot be subject to any European level *ex post* conditionalities that are beyond the reach of local and regional authorities or that could make them hostage to policies pursued by national governments.

Brussels, 22 March 2018.

*The President
of the European Committee of the Regions*

Karl-Heinz LAMBERTZ

**Opinion of the European Committee of the Regions — Enlargement: Inclusion of Western Balkans
Local and Regional Authorities in the EU's Macro-regional, Cross-border and other Transnational
Cooperation Initiatives**

(2018/C 247/05)

Rapporteur-general: Franz Schausberger (AT/EPP), Representative of the Province of Salzburg at the Committee of the Regions

Reference document: COM(2018) 65 final

POLICY RECOMMENDATIONS

THE EUROPEAN COMMITTEE OF THE REGIONS,

General comments

1. welcomes the fact that the Bulgarian Presidency has made the Western Balkans a priority and requested a contribution from the CoR on the subject;
2. welcomes and supports the strategy for *A credible enlargement perspective for and enhanced EU engagement with the Western Balkans*, presented by the European Commission on 6 February;
3. shares the Commission's conviction that the Western Balkan countries are part of Europe and have a shared European heritage, a shared history and a shared future and that a credible prospect of joining the EU is key to transformation in the region and thus to security, prosperity, social well-being, reconciliation and stability;
4. welcomes the possibility of Serbia and Montenegro becoming EU Member States by 2025, of opening accession negotiations with Albania and the former Yugoslav Republic of Macedonia, of pledging candidate status for Bosnia and Herzegovina, and enabling Kosovo ⁽¹⁾ to make further progress along the European path with the implementation of the SAA;
5. at the same time, fully supports the Commission's clear statement that these scenarios are only achievable if Western Balkan countries meet all necessary criteria and conditions, especially those on strengthening democracy, and undertake all necessary reforms, above all in connection with the rule of law, respect of fundamental rights, competitiveness, regional cooperation and reconciliation, and that there must be no political exceptions in this respect or change of conditions during the process;
6. welcomes the Commission's intention to provide a substantial increase in its support for the transformation process in the Western Balkan countries e.g. through a gradual build-up of the Instrument for Pre-accession Assistance (IPA) in the run-up to 2020, in accordance with a specific action plan with six flagship initiatives;
7. takes the view that the EU enlargement strategy for the Western Balkan countries must form part of a wider strategy to strengthen the EU by 2025, because the European Union must be stronger and more stable before it can become any bigger and the 27 Member States and their populations must be convinced of the added value of this EU enlargement;

⁽¹⁾ This designation is without prejudice to positions on the status of Kosovo, and is in line with UNSCR 1244/99 and the ICJ Opinion on the Kosovo declaration of independence.

8. welcomes the renewed solemn commitment of the Western Balkan countries at the 2017 Trieste summit to support each other on the European path and to resolve their political differences within the framework of their democratic institutions, and to strengthen mutual political dialogue, since building good neighbourly relations is a milestone on the path towards the European Union;

9. refers to its numerous opinions which repeatedly underlined that local and regional representatives should be actively involved in European integration and that EU standards and best practices should be implemented at regional and local level as early as possible in the enlargement process. Only by proceeding in this way will the sub-national level be able to acquire the knowledge it needs, in an appropriate and timely fashion, in order to carry out its future tasks and responsibilities under the EU *acquis*;

10. welcomes the EU's Connectivity Agenda and other regional initiatives such as the Berlin Process, and strongly encourages efforts to involve local and regional authorities from the enlargement countries and to draw on the experience of the newer Member States during the implementation process, especially in the areas of transport, energy, digital development, education and young people;

11. calls for special arrangements and irrevocable commitments to be put in place in order to ensure that new Member States are not in a position to block the accession of other Western Balkan candidates;

The importance of the sub-national levels in the enlargement process

12. notes with concern that in most Balkan countries public administration at all levels of government, particularly local self-government, remains weak, with limited administrative capacity, a high degree of politicisation and corruption, a lack of transparency and few financial resources;

13. stresses that the functioning of democratic institutions should be strengthened at national, regional and local level, with efforts to ensure sound electoral processes and the proper functioning of the regional assemblies and municipal councils, alongside constructive and sustainable dialogue with civil society;

14. calls on all Western Balkan countries to draw up and implement programmes to reform and improve the quality and accountability of the administration — particularly with a view to ensuring transparent public finances — as well as e-government strategies. It also calls for the development and introduction of better services for citizens as well as new laws on general administrative procedures, balanced and fair pay structures in the civil service and for regional and local government officials, together with transparent recruitment and dismissal procedures;

15. notes that in most Western Balkan countries important progress has been made with the adoption of new laws to reform local administration, but believes that considerable efforts still need to be made and vital financial resources transferred in order to increase the administrative capacity of local and regional authorities so that they are able to carry out their expanded roles in preparation of accession and afterwards to the benefit of their populations;

16. highlights, as a positive example, the decision taken on the Serbian law concerning the civil service in the autonomous province of Vojvodina and at local level, but points out that the law on Vojvodina's resources — as required by the constitution — still needs to be adopted;

17. welcomes the fact that in several Western Balkan countries, especially Albania, local territorial reforms have been adopted and implemented with the transfer of new powers to municipalities, although financial and administrative consolidation of the newly created municipalities has been slow;

18. regards as very positive that the Commission's enlargement strategy for the Western Balkans explicitly calls for an appropriate balance to be struck between central, regional and local government in line with the principle of multi-level governance, since the strategic and operational plans for EU enlargement in the enlargement countries of the Western Balkans generally overlook the regional and local government dimension;

19. sees a 'bottom-up approach' as absolutely essential for the timely success of further EU integration to include the Western Balkans countries;

20. is pleased to note that, especially at local level in the Western Balkan countries, cross-border cooperation has been stepped up through the exchange of experience, transfer of know-how, transfer of best practices and the introduction of new methods and approaches. The activities and initiatives undertaken by local and regional associations and organisations such as The Adriatic-Ionian Euroregion (AIE) and the regional network NALAS — the Network of Associations of Local Authorities of South East Europe should be highlighted in particular here, and they should be integrated and promoted to a greater extent at European level;

21. finds it regrettable that there is currently no comprehensive and sustainable platform for local cooperation nor any strong links with the EU institutions in order to support implementation of EU standards and transpose the EU *acquis* at local level, and that positive cooperation initiatives such as the Regional Cooperation Council (RCC), ReSPA⁽²⁾ and the Berlin Process are geared mainly towards central governments while failing to take account of the regional and local level;

Decentralisation and democracy

22. deplores the fact that development of the Western Balkan countries over the past 10 years has been characterised by the blocking of reforms, impatience and growing scepticism towards EU membership and signs of increasing instability, corruption, nationalism and extreme politicisation of state institutions and public administrations, which has to some extent led to a shift towards more autocratic forms of government and centralisation;

23. points out, especially in connection with Bosnia and Herzegovina, the importance of good coordination between all levels of governance and administration for a country's ability to function, for the effective implementation of the reform agenda, mobility and for the creation of a single economic area, and welcomes the fact that all levels have now agreed on the response to the Commission's comprehensive questionnaire;

24. notes that electoral laws for local and regional elections in the Western Balkans are largely in line with European standards, and that local elections are mainly conducted in a calm and orderly manner, but that major shortcomings remain due to the lack of impartiality and politicisation of the electoral administration and in connection with transparency of campaign financing, the registration process and the resolution of electoral disputes;

25. is convinced that, as a pillar of the democratic reform process, decentralisation is vital for social cohesion, stability and peace and reconciliation in the Western Balkans and thus for the future of Europe;

26. is aware that, in undertaking the crucial steps needed to strengthen decentralisation in the true sense of the word, care must be taken not to fuel ethnic divisions and tensions;

27. is convinced that the de-politicisation of the civil service is the key prerequisite for enhancing trust between the civil service and citizens at regional and local level;

The rule of law, fundamental rights and the fight against corruption at local and regional level in the Western Balkans

28. finds it regrettable that, after many years of EU engagement, central, regional and local government and administration in the Western Balkan countries are still closely associated with organised crime and corruption, with public and private interests strongly interlinked;

⁽²⁾ ReSPA is an international organisation which has been entrusted with the mission of boosting regional cooperation in the field of public administration in the Western Balkans (<https://www.respaweb.eu>).

29. therefore recommends that the special prosecution services tackling corruption and organised crime, as well as the judicial authorities, be greatly strengthened, so that they are able to confiscate illegally acquired assets, remove people from public office, lay down stricter rules for office holders and ensure more accessible information and complaint mechanisms for citizens;

30. stresses, therefore, that it is not just necessary to significantly improve and safeguard the independence, quality and efficiency of the judiciary at national level. What is also needed is clear transparency in regional and local authorities, particularly in the field of public procurement; moreover, welcomes positive examples such as the establishment of the anti-corruption office and the drafting of relevant action plans in almost all municipalities in Montenegro and the ongoing efforts in Albania;

31. expects the countries concerned to step up their efforts to strengthen the rule of law and justice, to guarantee fundamental rights, freedom and security and to enshrine the protection of minorities notably the Roma community — for whom social inclusion should be more robustly promoted — and the LGBTI community and gender equality, including tackling domestic violence; welcomes in this connection the fact that Serbia is the first candidate country to have introduced the EU's Gender Equality Index;

32. has high hopes that the Bulgarian Presidency of the Council will succeed in moving all political forces in Bosnia and Herzegovina rapidly towards a common solution on constitutionally legitimate reform of the electoral law in time for the October 2018 elections. This process must respect the requirements arising from the fact that the three ethnic groups in Bosnia and Herzegovina are constituent peoples and have equal rights. This also means that the Sejdić-Finci, Zorić and Pilav rulings of the European Court of Human Rights need to be implemented so that members of the Jewish and Roma communities and representatives of other national minorities can stand for the presidency and the Federation House of Peoples and that local elections can once again be held in Mostar after more than seven years;

33. stresses the importance of freedom of expression and of the press in a democratic political culture so as to ensure a pluralistic democratic society. One issue here is the inappropriate attempts to bring influence to bear on journalists and their reporting on the basis of opaque media ownership;

34. points out that a European democratic culture requires political decision-makers at all political levels to display exemplary behaviour, such as refraining from confrontation and provocation, avoiding radical and nationalistic rhetoric and actions, showing sensitivity to the needs of vulnerable and disadvantaged groups, taking into account the situation of ethnic, linguistic or religious minorities as well as demonstrating complete respect for all people irrespective of the colour of their skin, their sexual orientation or their gender identity;

35. calls on political leaders to avoid and condemn anything that might stoke inter-ethnic tensions, to actively challenge nationalist narratives and the glorification of war crimes, to combat racism, xenophobia, extremism, radicalisation and terrorism and to carry out preventive work with young people;

Cross-border regional and local cooperation

36. believes that regional cooperation and good neighbourly relations between the countries of the Western Balkans are key prerequisites for European progress and new economic opportunities;

37. supports all initiatives aimed at enhancing mutual relations between the Western Balkan countries and cross-border cooperation at regional and local level, as well as twinning and TAIEX programmes, and offers its support for the possible inclusion of accession countries from the Western Balkans in EGTCs;

38. makes clear that cross-border bilateral disputes must be urgently resolved by decision-makers in the countries concerned or be subject to binding, definitive international judicial decision or arbitration without condition; deplores, in this regard, the continued dispute between Slovenia and Croatia for the international waters of the Bay of Piran, which has become an internal EU problem with the two countries' accession to the Union, and welcomes the signing of the border treaties between Montenegro, on the one hand, and Bosnia and Herzegovina and Kosovo, on the other;

39. welcomes the fact that the Republic of Serbia has recently signed the Madrid Outline Convention and also expects that the former Yugoslav Republic of Macedonia and Kosovo will sign this convention, which offers concrete solutions for overcoming the biggest obstacles to cross-border territorial cooperation;

40. is convinced that there can be no long-term stability without effective and comprehensive normalisation of relations between Belgrade and Priština through EU-sponsored dialogue in the region, and so a comprehensive, legally binding normalisation agreement is urgently needed; welcomes the normalisation of relations between Serbia and Croatia and the progress made in dialogue between Belgrade and Priština;

41. notes with satisfaction that the situation in the north of Kosovo has remained largely calm and communication between municipalities in the north and the central institutions has improved, and that occasional provocation and deplorable acts of violence have not done any lasting damage to the dialogue under way between Belgrade and Priština;

42. views the regional economic area agreed at the Western Balkans summit in Trieste in July 2017 as a significant step towards advancing economic integration between the EU and the Western Balkan countries and towards making the regional market more attractive, and hopes that the agreed action plan can be implemented swiftly;

43. considers it of the utmost importance to step up cross-border strategic and operational cooperation with and between the Western Balkan countries in the areas of migration and border management, by guaranteeing access to international protection, exchanging relevant information, improving border control, etc., and encourages local authorities to support the fight against migrant smuggling and trafficking in human beings;

44. warmly welcomes the fact that the negotiations between Greece and the former Yugoslav Republic of Macedonia over the long-standing simmering dispute concerning the name of the latter have recently shown signs of progress, and hopes that the Bulgarian Presidency of the Council will be able, alongside the negotiations taking place under the aegis of the UN, to contribute significantly to de-escalating the conflict and finding a solution;

The economic situation and macro-regional strategies in the Western Balkans

45. notes with regret that, at present, none of the Western Balkans can be regarded as a functioning market economy nor are they able to cope with the competitive pressure and market forces in the EU, especially because of political influence and the underdeveloped private sector. This has an extremely negative impact on labour markets and especially on job opportunities for young people, of which there are few;

46. points out that, in most municipalities in the candidate countries, there is a general view that EU projects and programmes are too complicated for the circumstances in local administrations, and so the Commission's efforts to streamline access to projects and programmes are made redundant by an increasingly sophisticated and complex oversight mechanism;

47. advocates expansion of the existing TEN-T network, including the completion of the corridor and an expansion to include south-east Europe, by means of which the current problem of inadequate transport links in the countries of the Western Balkans could be solved and the east-west links over the road, sea, air and railway networks, which is a prerequisite for developing the whole region, could be improved;

48. suggests, therefore, involving the representatives of local and regional authorities or local associations in the process of IPA negotiations, programming, monitoring and evaluation;

49. welcomes the fact that, with a view to implementing the proposed strategy, the EU intends to gradually increase IPA funding in the run-up to 2020, with an even stronger focus on the countries' needs;
50. recalls the positive example of the IPA-financed Innovation Fund, the primary aim of which is to provide pilot financing for innovation projects and to boost research and development in private enterprises. The fund also supports, through the Innovation Serbia Project for example, the establishment of innovative start-ups and spin-offs as well as market-oriented, innovative technologies and services, thus playing a key role in making the Serbian private sector more competitive;
51. highlights, as a positive example of successful regional cross-border cooperation, the joint Romanian-Serbian cancer initiative under the 'Interreg-IPA Cross-border Cooperation Programme', aimed at improving the diagnosis and treatment of malignant tumours;
52. also draws attention to the major economic and social disparities among the regions of the Western Balkan countries, and welcomes the EU programme for the competitiveness of enterprises and SMEs aimed at developing a robust private sector, and the planned creation of a programme to support the transfer of technology and start-ups;
53. stresses that macro-regional strategies (MRSs) and other EU instruments for cross-border cooperation such as EGTCs and Interreg programmes are essential building blocks for the future of the EU;
54. welcomes the fact that the Bulgarian Presidency of the Council has made the digital economy another priority and supports all efforts to link infrastructure between Western Balkan countries and the EU in the areas of transport, energy and digital services;
55. expects all Western Balkan countries to play a constructive role in regional cooperation initiatives such as the Berlin Process, the Danube Strategy, the Adriatic and Ionian Initiative, the South-East European Cooperation Process, the Regional Cooperation Council, the Central European Free Trade Agreement and stresses the importance of the Western Balkans' regional youth cooperation office for reconciliation in the region;
56. believes that the EU Strategy for the Adriatic and Ionian Region (EUSAIR) can provide a major opportunity for the whole region but also draws attention to persistent problems such as lack of resources, governance and the challenges posed by the migration crisis;
57. advocates macro-regional strategies as an instrument for European integration, based on stability, reconciliation and good neighbourly relations between EU Member States, candidate countries and potential candidate countries; is of the opinion that the EU's macro-regional strategies should cover the whole of the Western Balkans in their entirety. Kosovo and the former Yugoslav Republic of Macedonia participate in neither the macro-regional strategy for the Danube Region nor the Adriatic-Ionian macro-regional strategy; therefore recommends that also those Western Balkan countries that do not already participate in the afore-mentioned strategies, but are linked to them in geographical and economic terms, do so now, so that all of the Western Balkans are included in the area covered by the macro-regional strategies and can make use of the funding possibilities as part of the projects implemented under those strategies;

Brussels, 22 March 2018.

*The President
of the European Committee of the Regions*
Karl-Heinz LAMBERTZ

Opinion of the European Committee of the Regions — Trade Package

(2018/C 247/06)

Rapporteur: Micaela Fanelli (IT/PES), Mayor of Riccia, Campobasso**Reference documents:** Proposal for a Regulation establishing a framework for screening of foreign direct investments into the European Union

COM(2017) 487 final

Communication on the 2017 list of critical raw materials for the EU

COM(2017) 490 final

Report on the implementation of the trade policy strategy Trade for All — Delivering a progressive trade policy to harness globalisation

COM(2017) 491 final

Communication on A balanced and progressive trade policy to harness globalisation

COM(2017) 492 final

Communication on Welcoming foreign direct investment while protecting essential interests

COM(2017) 494 final

Recommendations for Council decisions

COM(2017) 469 final, COM(2017) 472 final and COM(2017) 493 final

I. RECOMMENDATIONS FOR AMENDMENTS

Proposal for a Regulation of the European Parliament and of the Council establishing a framework for screening of foreign direct investments into the European Union

COM(2017) 487 final

Amendment 1

Recital 13

Text proposed by the European Commission	CoR amendment
(13) It is appropriate to lay down the essential elements of the procedural framework for the screening of foreign direct investment by Member States to allow investors, the Commission and other Member States to understand how such investments are likely to be screened and to ensure that these investments are screened in a transparent manner and that they are non-discriminatory between third countries. Those elements should at least include the establishment of timeframes for the screening and the possibility for foreign investors to seek judicial redress of screening decisions.	(13) It is appropriate to lay down the essential elements of the procedural framework for the screening of foreign direct investment by Member States to allow investors, the Commission and other Member States, as well as the local and regional authorities and social partners concerned , to understand how such investments are likely to be screened and to ensure that these investments are screened in a transparent manner and that they are non-discriminatory between third countries. Those elements should at least include the establishment of timeframes for the screening and the possibility for foreign investors to seek judicial redress of screening decisions.

Reason

The regional authorities where the foreign direct investment (FDI) is planned or has been completed will be greatly affected by the decisions taken by the Member States and should therefore also be involved in the decisions.

Amendment 2

Recital 18

Text proposed by the European Commission	CoR amendment
(18) To that end, it is also important to ensure a minimum level of information and coordination with regard to foreign direct investments falling under the scope of this Regulation in all Member States. This information should be made available by the Member States in which the foreign direct investment is planned or has been completed upon request of the Member States or of the Commission. Relevant information includes aspects such as the ownership structure of the foreign investor and the financing of the planned or completed investment, including, when available, information about subsidies granted by third countries.	(18) To that end, it is also important to ensure a minimum level of information and coordination with regard to foreign direct investments falling under the scope of this Regulation in all Member States. This information should, after consultation of the local and regional authorities concerned , be made available by the Member States in which the foreign direct investment is planned or has been completed upon request of the Member States or of the Commission. Relevant information includes aspects such as the ownership structure of the foreign investor and the financing of the planned or completed investment, including, when available, information about subsidies granted by third countries.

Reason

The regional authorities where the FDI is planned or has been completed will be greatly affected by the decisions taken by the Member States and should therefore also be involved in the decisions.

Amendment 3

Article 3(2)

Text proposed by the European Commission	CoR amendment
<p><i>Article 3</i></p> <p>Screening of foreign direct investments</p> <p>2. The Commission may screen foreign direct investments that are likely to affect projects or programmes of Union interest on the grounds of security or public order.</p>	<p><i>Article 3</i></p> <p>Screening of foreign direct investments</p> <p>2. The Commission may screen foreign direct investments that are likely to affect existing or responsibly planned projects or programmes of Union interest on the grounds of security or public order.</p>

Amendment 4

Article 6(1) and 6(2)

Text proposed by the European Commission	CoR amendment
<p><i>Article 6</i></p> <p>Framework for Member States' screening</p> <p>1. Member States' screening mechanisms shall be transparent and not discriminate between third countries. In particular, Member States shall set out the circumstances triggering the screening, the grounds for screening and the applicable detailed procedural rules.</p> <p>2. Member States shall establish timeframes for issuing screening decisions. Such timeframes shall allow them to take into account the comments of Member States referred to in Article 8 and the opinion of the Commission referred to in Articles 8 and 9.</p> <p>[...]</p>	<p><i>Article 6</i></p> <p>Framework for Member States' screening</p> <p>1. Member States' screening mechanisms shall be transparent and not discriminate between third countries. In particular, Member States shall set out the circumstances triggering the screening, the grounds for screening and the applicable detailed procedural rules. The Member States shall also, as part of this procedure, and to the extent possible, inform and consult with the local and regional authorities where the FDI is planned or has been completed.</p> <p>2. Member States shall establish timeframes for issuing screening decisions. Such timeframes shall allow them to take into account the comments of the local and regional authorities where the FDI is planned or has been completed and of Member States referred to in Article 8 and the opinion of the Commission referred to in Articles 8 and 9.</p> <p>[...]</p>

Reason

The regional authorities where the FDI is planned or has been completed will be greatly affected by the decisions taken by the Member States and should therefore also be involved in the decisions.

Amendment 5

Article 8(1)

Text proposed by the European Commission	CoR amendment
<p><i>Article 8</i></p> <p>Cooperation mechanism</p> <p>1. Member States shall inform the Commission and the other Member States of any foreign direct investments that are undergoing screening within the framework of their screening mechanisms, within 5 working days from the start of the screening. As part of the information, and when applicable, the screening Member States shall endeavour to indicate whether it considers that the foreign direct investment undergoing screening is likely to fall within the scope of Regulation (EC) No 139/2004.</p>	<p><i>Article 8</i></p> <p>Cooperation mechanism</p> <p>1. Member States shall <i>consult with the local and regional authorities where the FDI is planned or has been completed, and</i> inform the Commission and the other Member States of any foreign direct investments that are undergoing screening within the framework of their screening mechanisms, within 5 working days from the start of the screening. As part of the information, and when applicable, the screening Member States shall endeavour to indicate whether it considers that the foreign direct investment undergoing screening is likely to fall within the scope of Regulation (EC) No 139/2004.</p>

Reason

It is important that local and regional authorities are consulted in the screening of a particular FDI.

Amendment 6

Article 8(6)

Text proposed by the European Commission	CoR amendment
<p><i>Article 8</i></p> <p>Cooperation mechanism</p> <p>6. The Member States where the foreign direct investment is planned or has been completed shall give due consideration to the comments of the other Member States referred to in paragraph 2 and to the opinion of the Commission referred to in paragraph 3.</p>	<p><i>Article 8</i></p> <p>Cooperation mechanism</p> <p>6. The Member States where the foreign direct investment is planned or has been completed shall give due consideration to the comments <i>of the local and regional authorities where the FDI is planned or has been completed referred to in paragraph 1 and</i> of the other Member States referred to in paragraph 2 and to the opinion of the Commission referred to in paragraph 3.</p>

Reason

It is important that local and regional authorities are consulted in the screening of a particular FDI.

Amendment 7*Article 12*

Text proposed by the European Commission	CoR amendment
<i>Article 12</i>	<i>Article 12</i>
Contact points	Contact points
Each Member State shall appoint a foreign direct investment screening contact point ('FDI screening contact point') for the screening of foreign direct investment. The Commission and other Member States shall involve these FDI screening contact points on all issues related to implementation of this Regulation.	Each Member State shall appoint at least one foreign direct investment screening contact point ('FDI screening contact point') for the screening of foreign direct investment. The Commission and other Member States shall involve these FDI screening contact points on all issues related to implementation of this Regulation. <i>The FDI screening contact points shall also provide the local and regional authorities concerned — at their request — with all relevant information pertaining to the screening of the FDI.</i>

Reason

- (i) Given that in some Member States trade policy is devolved to the regional level, it would seem appropriate to also provide for contact points at regional level.
- (ii) It is important that local and regional authorities have as complete information as possible when taking a view on the screening of a particular FDI.

II. POLICY RECOMMENDATIONS

THE EUROPEAN COMMITTEE OF THE REGIONS

1. welcomes the package of trade and investment proposals presented by the Commission as a response to the challenges EU trade policy faces, and following the reflection paper on harnessing globalisation;
2. holds the view that trade policy is being called upon to deal with multifaceted challenges by striking the right balance between multiple objectives: strengthening the EU's trading position by connecting it to global growth centres, taking the lead in upholding the multilateral trading system, increasing economic growth and reducing poverty, protecting EU companies, citizens and regions from unfair competition, and dealing with the social and territorial costs, particularly in vulnerable sectors and among lower-skilled workers;
3. supports the view that over the years international trade has fostered growth and promoted competitiveness both within and outside the EU; points, however, to growing concern over the uneven societal distribution of its benefits, its significant impact in terms of marked agglomeration and territorial marginalisation and, in particular, the severe strain that it is putting on the resilience of some local economies and communities;
4. strongly supports the Commission's view that trade policy has an important role to play in ensuring that globalisation has positive economic, social, territorial and environmental effects for people and businesses in Europe and beyond;

5. underlines the key role played by the EGF in supporting people losing their jobs as a result of structural changes in world trade patterns due to globalization; reiterates ⁽¹⁾, however, the need, to reform the way it operates by simplifying the EGF approval procedure, by lowering the thresholds for triggering the Fund ⁽²⁾ and by increasing its budget to at least EUR 500 million per annum and integrating it into the MFF in order to take account of the fact that since 2014 the scope of the EGF has been extended to include NEETs and may need to be further extended to cover preventive measures; insists on the complementarity between the EGF and the European Social Fund as part of the European Structural and Investment Funds (ESIF) since the EGF is a mechanism that delivers short-term assistance while long-term measures are supported by ESIF which can act as follow-up measures in the EGF areas;

6. emphasises that, as underscored in an analysis ⁽³⁾ of trade flows in some Member States, the export performance of regions correlates positively with GDP, export performance correlates positively with the regional competitiveness index (RCI), and in each Member State the propensity and involvement of the productive fabric in exports is heavily concentrated in a few regions;

7. notes with concern that this analysis is borne out in another study ⁽⁴⁾, which finds that the benefits of FDI appear to be smaller in rural, non-metropolitan and less developed regions than in other regions and that productivity spill-overs are lower in rural and non-metropolitan regions, and even zero in the less developed regions; consequently, the contribution to convergence from the direct impact of FDI and from the opening-up of markets is likely to be very limited;

8. emphasises in this respect the key role of cohesion policy in ensuring an adequate level of public investment in the regions and territories of the EU that are marginalised from these flows, and in increasing their competitiveness, while simultaneously stimulating their FDI and spurring on the growth of non-European companies already present in Europe;

9. recalls that the European Commission's 7th Cohesion report (9 October 2017) stressed that harnessing globalisation, by supporting economic transformation in regions, innovation, industrial modernisation, and technology uptake, should be among the three priorities for the future cohesion policy post-2020;

10. draws attention to the fact that further trade liberalisation agreements reduce the amount of custom duties which constitute a significant own resource for the EU's budget and urges the Commission to shortly present a proposal for a substantial reform of the EU's own resources as requested in the CoR opinion 2017/1530 on the Reform of EU resources within the next MFF post-2020;

Transparency and democratic legitimacy of EU trade policy

11. welcomes the Commission's commitment to enhancing transparency in trade negotiations and is confident that this approach will give the Member States the opportunity to involve local and regional authorities and/or other stakeholders back at the stage of framing the trade-policy objectives specific to certain extra-EU trade negotiations;

12. quotes in that regard the CoR study on *The democratic dimension of EU negotiations on trade agreements: the role and responsibilities of citizens and local and regional authorities*, which emphasises that the sheer availability of information is not enough for a transparent and participatory process and that particular attention should be paid to mechanisms at the national and local levels aimed at ensuring access to this information; local and regional authorities often point to the lack of a formal mechanism for dialogue with the respective national level when it comes to trade policy, and this absence is even more keenly felt at EU level;

⁽¹⁾ CoR opinion on the Reflection paper on harnessing globalisation, rapporteur: Micaela Fanelli, adopted on 10 October 2017.

⁽²⁾ Considering in particular that the equivalent US programme ('Trade Adjustment Assistance/TAA') foresees no minimum threshold of redundancies to be reached.

⁽³⁾ EPRS.

⁽⁴⁾ ESPON, *The World in Europe, global FDI flows towards Europe*.

13. is positive towards the Commission's effort to provide more clarity on the mixed nature of many trade agreements by splitting the investment chapter; is of the opinion, however, that the crisis of consensus in relation to the global opening-up of markets and the drafting of new trade agreements is largely a result of the scant documentation on the positive and negative impacts of certain agreements and of the lack of clarity regarding the responsibilities of governments in responding to the specific negative effects on distribution generated by such agreements;

14. in line with what has been stated above, recalls the CoR's position that it is imperative that any further step in trade liberalisation be preceded by territorial impact assessments which can be a powerful tool in identifying and quantifying — before the beginning of negotiations — the impact of a given trade deal on European regions, thus facilitating more sound, informed, transparent and evidence-based decisions to be made regarding the content of the deal and enabling tailor-made support to be given to the regions concerned to help anticipate or manage its impact;

15. regrets in that respect the fact that the *Impact assessment accompanying the document Recommendation for a Council Decision authorising the opening of negotiations for a Free Trade Agreement with Australia and with New Zealand* fails to provide for such an impact assessment in the section *What are the impacts of the different policy options and who will be affected* ⁽⁵⁾;

16. regards the study on the cumulative economic impact of potential ongoing and upcoming FTAs between the EU and twelve trade partners on EU agriculture ⁽⁶⁾, conducted by the Joint Research Centre, as a good example of how impact assessments can contribute to the formulation of sound, transparent and evidence-based trade policies;

17. applauds the fact that the study did provide evidence-based scientific support to the European policy-making process since EU farmers are informed of what they can expect from the trade agreements notably with Australia and New Zealand; is of the view that in the context of those negotiations the Commission must place a particular emphasis on the likely negative impact on specific agricultural sectors as underscored in the study and protect those sectors by taking into consideration the underlying principles of the Common Agricultural Policy and the fact that agriculture is the main and only activity that supports employment, entrepreneurship and local food supply in many EU areas such as the mountainous areas where farmers in difficult conditions keep the countryside alive, thereby helping, inter alia, to conserve crucial environmental balances;

18. repeats, in particular in view of the negotiations with Australia and New Zealand, its longstanding position that future EU trade agreements must not prevent government at all levels from providing, supporting or regulating public services, or from expanding the range of services they offer to the public ⁽⁷⁾, or from providing for the inclusion of certain social clauses with a view, inter alia, and in line with the European Council conclusions of 7 December 2015, to encouraging the development of the social economy;

19. welcomes that the Commission has set up on 22 December 2017 an advisory group on EU trade agreements with the aim to increase transparency and inclusiveness in EU trade policy but regrets, in view of the above, the fact that none of its 28 experts ⁽⁸⁾ is representing a local or regional authority or association. In case the Commission would maintain its line that there should be no EU institution or organ represented in the advisory group, the CoR would expect to be at least invited to attend as an observer;

⁽⁵⁾ On page 18 of the document, available here: <https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1505372743628&uri=SWD:2017:293:FIN>

⁽⁶⁾ Study published on 15 November 2016, available here: <https://ec.europa.eu/jrc/en/publication/eur-scientific-and-technical-research-reports/cumulative-economic-impact-future-trade-agreements-eu-agriculture>

⁽⁷⁾ CoR opinion on *A more responsible trade and investment policy*, rapporteur: Neale Richmond (IE/EPP), adopted on 8 April 2016.

⁽⁸⁾ http://trade.ec.europa.eu/doclib/docs/2017/december/tradoc_156487.pdf

20. calls for prevailing labour standards and legal standards on product safety, on data, consumer, health and environmental protection, and on animal welfare in the EU and at national level to be upheld without being levelled downwards; it must be possible for these standards to be adjusted in accordance with EU law at Member State level, and the regulatory and financial latitude of local and regional authorities in this area should not come under pressure from international trade and investment agreements;

The quest for fairness outside the EU

21. points out that trade policy is not only about economic interests but is also an important vehicle of solidarity towards developing countries and countries enmeshed in regional crises; recalls in this regard the EU-Jordan joint decision on a relaxation of the rules of origin applicable in their bilateral trade as an excellent example here;

22. welcomes the Commission's non-paper on *Trade and Sustainable Development (TSD) chapters in EU Free Trade Agreement (FTAs)*⁽⁹⁾, which opened the discussion on compliance and enforcement, and on how the sustainability provisions should be linked to trade;

23. in relation to the question of whether non-compliance with a provision of the TSD Chapter should lead to certain trade-related consequences, or even sanctions, the CoR supports the view that countries that engage in unfair competition by lowering standards pertaining to fundamental labour conventions, e.g. child labour, should face possible sanctions; believes that further studies and research projects are needed in this field in order to ensure that policy-making is based on conclusive evidence;

24. welcomes the Commission's commitment to enhancing the multilateral trading system which has at its heart the WTO and notes that global trade without the WTO will be more subject to the dynamics of power between states, with less regard to values; holds the view that the WTO could offer the ideal framework to minimise negative externalities of bilateral trade agreements for third countries, multi-lateralise the regulatory cooperation achieved thus far between like-minded countries and offer an explicit path to accession to other interested WTO members in the future;

The multilateral investment court

25. welcomes the Commission's Recommendation for a Council Decision authorising the opening of negotiations on establishing a multilateral investment court (MIC) as a solution to many of the problems encountered with the investor-to-state dispute settlement (ISDS) system, namely the lack of legitimacy and safeguards for independence in ISDS, the lack of predictability and consistency of case-law, the lack of possibility of review in ISDS, high costs, lack of transparency in ISDS, and the poor accessibility for SMEs;

26. notes that according to the CoR study on *The democratic dimension of EU negotiations on trade agreements: the role and responsibilities of citizens and local and regional authorities*, the aspect most frequently raised by local and regional authorities with regard to the implications of FTAs relates to ISDS, which is perceived to allow private companies to challenge local governments' decisions;

27. stresses the need for a balance between the way private investor rights are protected — with sanction mechanisms — and the way workers' rights are upheld — currently without such mechanisms — and calls on the Commission to ensure that the proposal to create a MIC will not maintain a parallel legal system with a special court for foreign investors that bypasses domestic legal systems for the sole benefit of these investors; also calls for the MIC to protect not only the rights of investors, but also the rights of states to legislate, and the rights of third parties;

28. hopes that the Commission will clarify as soon as possible whether this multilateral investment court may be considered a unilateral institution or whether it will be connected to the jurisdiction of another, as well as how affected communities will be able to participate in judicial proceedings;

⁽⁹⁾ Available here: <http://trade.ec.europa.eu/doclib/press/index.cfm?id=1689>

29. asks the Commission to provide more clarity regarding the probable consequences on disputes under existing bilateral investment treaties (BITs) and the interlinkages between the MIC and domestic jurisdictions in particular in relation to the question of exhaustion of domestic remedies; supports in relation to intra-EU BITs and against the background of the on-going case C-284/16 Achmea the Commission's view that ISDS mechanisms set in (pre-accession) intra-EU BITs conflict with EU law on the exclusive competence of EU courts for claims which involve EU law;

30. is confident that the Belgian request of 6 September 2017 for an opinion of the Court of Justice of the EU (CJEU) on the legality of the new bilateral Investment Court System (ICS) in the EU-Canada Agreement (CETA) will provide more clarity to the whole discussion about investment protection;

31. notes with concern that several major trading partners of the EU, including the USA and Japan, do not support the creation of a MIC, while Japan's preference for the ISDS system is one of the main issues that remain to be settled following the agreement in principle on an FTA which was reached on 6 July 2016;

The proposal for a Regulation establishing a framework for screening of FDI into the EU

32. stresses the importance of FDI for the overall EU economy and more specifically for some of its regions, given that during the period 2003-2015, non-European investors carried out more than 52 000 FDI projects in Europe amounting to a total value of more than EUR 2 600 billion⁽¹⁰⁾;

33. supports the Commission's view that openness to FDI remains a key principle for the EU and a major source of growth and that this openness has to be accompanied by vigorous and effective policies to, on the one hand, open up other economies and ensure that everyone plays by the same rules, and, on the other hand, to protect critical European assets against investment that would be detrimental to legitimate interests of the EU or its Member States;

34. welcomes therefore the principles behind the European Commission's proposed regulation, as FDI currently may be treated differently among the Member States due to the fact that there is no EU-wide FDI screening legislation in place;

35. is concerned with regard to the European Commission's right to carry out a screening for reasons of security and public order in the case of an FDI that is likely to have repercussions on projects or programmes of Union interest, since this criterion is very vague: it may include all kinds of FDI, and the list in the relevant Annex is not exhaustive. In addition, there is no clear definition of security and public order and therefore no legal certainty as to the extent of the powers of intervention of the European Commission; this could lead to Member States no longer being able to decide autonomously on FDI on grounds of security and public order;

36. regrets the fact that such an important proposal is presented by the Commission without an impact assessment; holds the view that the study announced by the Communication accompanying the proposal on investment flows into the EU and the impact assessment should have preceded the presentation of the proposal in an effort to ensure that the inter-institutional discussions on this matter are based on concrete evidence;

37. calls for the proposal for a regulation to make clear that existing restrictions on the free movement of capital between the EU and third countries may be maintained, without any limitation, on grounds of public order and security, or maintained without any specific procedural framework being specified;

38. holds the view that the Commission should also assess the policies that have created the conditions which have led to problematic investments, since in many cases FDI in previously state-owned infrastructures or companies are often the consequences of austerity policies and of the liberalisation in strategic sectors;

⁽¹⁰⁾ ESPON research project on *The World in Europe, global FDI flows towards Europe*.

39. stresses that justifying a restriction on FDI for national security and public order reasons is different from restricting it for fears of market distortion and calls on the Commission to ensure that the mechanism is not used as a disguised protectionist measure; notes in this respect that an FDI screening mechanism that restricts investments simply because the FDI is subsidised cannot be sufficient grounds for blocking an investment and that it has to prove that the FDI at hand is part of strategic or national industrial goals of a foreign state;

40. calls on the Commission for more clarity on the impact of a Member State not following the Commission's opinion and on the extent to which the proposed framework will allow timely and proportionate reactions considering that the EU investment screening should last no longer than the time specified for national procedures;

41. pleads for entering into dialogue on investment screening with the EU's main trade partners. International approximation of rules on screening foreign direct investment would indeed limit conflicts and promote investment certainty;

42. welcomes the fact that the co-legislators have reached an agreement to amend the current EU anti-dumping methodology, which will have to take into account core ILO conventions when assessing the existence of significant distortions;

43. notes however that the new rules will only be fully effective if the EU modernises its trade defence instruments (TDIs) and that the positive impact of this for industry is linked to a breakthrough on TDI modernisation plans, proposed in 2013;

44. agrees that the European Union has exclusive competence with respect to foreign direct investment, as it falls within the common commercial policy pursuant to Article 207(1) TFEU. Notes, however, that the Commission is proposing this regulation only for those Member States that have established investment screening mechanisms and that the proposal does not require the Member States to put in place their own investment screening. The proposal is therefore fully compliant with the subsidiarity principle.

Brussels, 23 March 2018.

*The President
of the European Committee of the Regions*
Karl-Heinz LAMBERTZ

Opinion of the European Committee of the Regions — A European strategy for industry: the role and perspective of regional and local authorities

(2018/C 247/07)

Rapporteur: Heinz Lehmann (DE/EPP), Member of the Saxony regional parliament

Reference document: Commission Communication: 'Investing in a smart, innovative and sustainable Industry — A renewed EU Industrial Policy Strategy'

(COM(2017) 479 final)

POLICY RECOMMENDATIONS

THE EUROPEAN COMMITTEE OF THE REGIONS,

1. welcomes the Commission Communication ⁽¹⁾ as a further important step, and calls on the Commission to develop an ambitious EU industrial policy strategy on this basis, as also called for by the European Council ⁽²⁾, European Parliament ⁽³⁾, Competitiveness Council ⁽⁴⁾, the CoR ⁽⁵⁾ and the Friends of Industry group ⁽⁶⁾;
2. calls for an industrial policy strategy at European level that responds to current and future challenges, opportunities and factors with regard to industrial competitiveness in a global context, and is of the opinion that this strategy — equipped with a clear vision — should be shaped with a view to European industry in the medium term and should be further developed to focus on 2030 and beyond;
3. urges that a strong territorial dimension be included within this strategy, while taking account of regional smart specialisations. The Committee recalls the shared and continuous task of conducting an effective European industrial policy, as set out in Article 173 TFEU, and signals its willingness to support the Commission, Council and Parliament in a spirit of partnership, particularly as implementing the strategy will require joint commitment and effort by all stakeholders at all levels;
4. calls for a horizontal industrial strategy with objectives, strategic measures and indicators, rigorous impact assessments, and an appropriate framework for monitoring and steering. It also calls for sector-specific measures to be implemented, in a targeted way, for sectors undergoing economic change and those that have high growth potential. The Committee underlines that the strategy should place particular emphasis on innovation, key enabling technologies (KETs), important projects of common European interest (IPCEIs), digitalisation, and SMEs, due to their cross-cutting significance;

⁽¹⁾ Commission Communication: 'Investing in a smart, innovative and sustainable Industry — A renewed EU Industrial Policy Strategy' (COM(2017) 479 final).

⁽²⁾ European Council Conclusions of 15 December 2016 and 22-23 June 2017.

⁽³⁾ European Parliament Resolution of 5 July 2017 on 'Building an ambitious EU industrial strategy as a strategic priority for growth, employment and innovation in Europe' (2017/2732(RSP)).

⁽⁴⁾ Conclusions on a future EU industrial policy strategy, Competitiveness Council, 29 May 2017 (283/17); Conclusions on a renewed EU Industrial Policy Strategy, Competitiveness Council, 30 November 2017 (705/17).

⁽⁵⁾ CoR opinion of 11 April 2013 on 'A stronger European industry for growth and economic recovery'
CoR opinion 'Steel: Preserving sustainable jobs and growth in Europe', adopted on 15 June 2016, COR-2016-01726-00-00-PAC-TRA (EN)

⁽⁶⁾ Joint Warsaw Declaration on the occasion of the fourth Ministerial Conference of the Friends of Industry, Warsaw, 22 April 2016; Berlin Declaration: Joint declaration on industrial policy on the occasion of the fifth Ministerial Conference of the Friends of Industry, Berlin, 30 June 2017.

Europe's industry in a new age

5. underlines that industry is vitally important for Europe's regions and cities — as a source of 50 million jobs, exports and innovation — and that ensuring the future competitiveness of European industry in a rapidly changing global context is crucial for balanced and sustainable development;
6. draws attention to the relatively major importance of foreign trade in generating GDP (83,05 % in 2015) ⁽⁷⁾. On this basis, the Committee calls for greater attention to be paid to stimulating domestic consumption, which will ensure that EU industry can function stably and will accelerate growth;
7. believes that, for social harmony to be preserved, endogenous growth must be possible everywhere so that all regions — including rural areas — can participate in value creation and have the opportunity to create and retain skilled local jobs;
8. supports the creation of an environment that is conducive to innovation, while also encouraging economic challenges to be tackled so as to improve society's acceptance of industrial activities at all levels: from nursery schools to businesses to administrations;
9. notes the fact that changes to business models brought about by progressive digitalisation are increasingly at the centre of future development, meaning that in future States should distinguish not just between sectors, but between business models as well;

Making Europe's industry stronger

10. calls for the strategic objective of industry making up 20 % of GDP as of 2020 to be retained;
11. is of the opinion that European technological sovereignty offers Europe the chance to maintain and expand a globally competitive industry;
12. calls for a level playing field in European and global competition to be attained and safeguarded, also for the sake of technologies which are strategically important for Europe (e.g. microelectronics, battery cells);
13. recalls that framework conditions from other regulatory areas that only constrain businesses in the EU (e.g. certain regulations relating to materials) can cause operations in some sectors to cease or move to third countries, which affects the whole value chain in the EU;
14. emphasises the strategic importance of IPCEIs for European industry's competitiveness and calls on the Commission to make good use of the potential that they offer. It welcomes the Commission's proposal to aid preparations by establishing strategic forums in order to improve international coordination of stakeholders, and calls for the IPCEI concept to be further developed consistently and in a timely manner, taking previous experience into consideration;
15. welcomes the Commission's comments on the defence industry, and supports a coordinated, strategic approach due to its major importance in relation to economic, technological and security policy. The European Defence Fund should also be able to be used for research and should have its own budget heading;
16. emphasises the important role of the maritime industries in tackling the challenges of the blue economy and in harnessing its full potential, and welcomes achievements in areas such as passenger ships and marine renewable energy. The Committee calls for the possibility, once the LeaderSHIP 2020 initiative is complete, of drawing up a roadmap to support maritime industries by involving all European policy areas;

⁽⁷⁾ World Bank Data, Trade (% of GDP), [<https://data.worldbank.org/indicator/NE.TRD.GNFS.ZS>], 7.1.2018.

A deeper and fair single market: empowering people and businesses

17. agrees that a well-functioning single market in goods and services can facilitate the integration of companies in global value chains and is therefore essential for the success of Europe's industry;

18. recalls that the European market is more important than the global market for the regions and therefore calls for the Single Market Strategy⁽⁸⁾ to be implemented, single market legislation to be effectively applied, and bilateral measures within the EU that result in fragmentation (e.g. intra-EU BITs) to be clearly opposed. The Committee stresses that competitive business services are increasingly important intermediaries in terms of promoting the manufacturing industry's productivity and cost competitiveness;

19. calls for more flexible public procurement to enable it to be made more innovation-friendly and open to technology;

20. welcomes the adoption of the European Pillar of Social Rights but stresses the need to complement it with a strong European social agenda, which would, inter alia, pave the way to real wage convergence in line with productivity;

21. underlines that professionals and managers who have qualified via vocational training constitute the productive backbone of many companies, in particular SMEs. The Committee recalls that high qualifications requirements and a sensible balance between practical experience and theoretical training are crucial for highly specialised, technology- and knowledge-intensive industries;

22. points out the national and regional responsibility for drawing up strategies to acquire and retain key competences;

Upgrading industry for the digital age

23. emphasises that the fundamental concern of a digital future must be to make industry and society as a whole more future-proof;

24. recalls local and regional authorities' duty to further develop all infrastructure necessary for digitalisation with an eye to the future, remaining open to all technical solutions and paying attention to a good balance of broadband, radio spectrum and digital management systems and their compatibility;

25. recalls that good examples of calculating the cost/benefit ratio when introducing digital technologies in established companies can lower barriers to introduction and use and can support changing business models, and calls for infrastructure to be promoted that provides digitalisation support for SMEs (digital innovation hubs);

26. calls on the Commission to enshrine the leading role of European industry as a goal in the ninth Framework Programme for Research and Innovation as well. The Committee suggests stepping up efforts to meet the target of spending 3 % of GDP on R & D and strengthening industry's capacity for change and innovation by means of further thematic platforms for industrial modernisation, e.g. partnerships for new manufacturing processes, sustainable manufacturing, 3D printing, and Industry 4.0;

⁽⁸⁾ Opinion of the European Committee of the Regions on Upgrading the Single Market, April 2016 (rapporteur: Alessandro Pastacci (IT/PES)); Opinion of the European Committee of the Regions on The services package: A services economy that works for Europeans, October 2017 (rapporteur: Jean-Luc Vanraes (BE/ALDE)).

Building on Europe's leadership in a low-carbon and circular economy

27. shares the view of the Commission, the Parliament and the Council that Europe's leadership in a low-carbon and circular economy should be stepped up so as to make a major contribution to implementing the Paris Climate Agreement; recalls its call for environmental, climate and energy policy instruments at EU and national level to be shaped in such a way that energy-intensive manufacturing and foreign trade-dependent industries are not unduly burdened or hindered in terms of their international competitiveness;

28. calls for the domestic raw materials sector to be effectively promoted by means of support for exploration, acquisition and use of raw materials, closing material life cycles in a way that makes sense holistically speaking, and engaging in substitution so as to reduce dependence on imports of raw materials. The Committee urges European cooperation on resource efficiency and additive manufacturing to be improved, and calls for functional and collaborative business models to be mainly supported via positive incentives;

29. agrees that the development and manufacture of energy storage systems is vitally important to the functioning of a low-carbon economy in the EU. The Committee calls for no obstacles to be put in the way of this sector that needs to be built up in Europe, and for the balance between CO₂ savings targets and security of supply to be safeguarded;

Supporting industrial innovation on the ground

30. welcomes the smart specialisation concept developed by the Commission and calls for new potential to be harnessed — e.g. by means of cross-innovation — because internationality, interdisciplinarity and a variety of perspectives constitute vital building blocks of holistic innovation processes;

31. recalls that regional and interregional networks such as the MERGE lightweight construction cluster or the Vanguard Initiative can break the vicious cycle of emigration, skilled labour shortages and a small-scale economy, boost a region's image as a centre for innovation, increase incentives to encourage companies to be established and move to the area, and stimulate the emergence of new value chains;

32. underlines the facilitation proposed for start-ups and scale-ups ⁽⁹⁾;

33. acknowledges the comprehensive aid reform of 2014, which has led to much simpler procedures for businesses and local and regional authorities, but calls for support for cluster initiatives (Article 27 GBER) to be significantly improved by raising funding rates. The Committee calls for cross-border clusters and cluster networks, as well as blending, to be prioritised in future, especially for pilot infrastructure and flagship projects;

The international dimension

34. is aware of the importance of the integration of European industry in global value chains, and that only free trade agreements, mutual recognition of standards and the elimination of tariff and non-tariff barriers to trade can ensure free and fair access to global markets;

35. welcomes, in particular, measures to strengthen trade defence instruments so as to create a level playing field in global trade, especially for traditional industries such as steel ⁽¹⁰⁾;

⁽⁹⁾ Boosting start-ups and scale-ups in Europe: regional and local perspective, COR-2017-00032-00-01-AC-TRA

⁽¹⁰⁾ Opinion of the European Committee of the Regions on *Steel: Preserving sustainable jobs and growth in Europe*, June 2016 (rapporteur: Isolde Ries (DE/PES)).

36. calls for the COP countries to be urged to fully and swiftly write the agreed reduction targets into national standards, and expects all stakeholders to take action to prevent environmental dumping, with all its negative consequences;

37. calls for local and regional authorities to be involved in deciding on strategic areas where it is important to screen foreign direct investment;

Partnership with Member States, regions, cities and the private sector

38. underlines the centrality of regions and regional ecosystems, where the dialogue between SMEs, universities and research centres and local authorities is conducted effectively, to industrial modernisation and calls for a place-based approach to European industrial policy. The Committee underlines that regional and local authorities have important powers and competences in policy areas such as research and innovation, education and skills, export support, infrastructure, SMEs and regulation;

39. sees itself as an active partner of the Commission, Parliament and Council. It welcomes the Commission's proposal for an annual Industry Day — in particular, the thematic focus on KETs and IPCEIs that is planned for 2018 — and its proposal to set up a high level industrial round table, and calls for regional and local authorities to be closely involved in the debate about defining KETs that are strategically important for Europe. The Committee calls for regional stakeholders, such as entrepreneurs, social partners and civil society, to be actively involved, and welcomes the pilot actions that are helping regions, in a spirit of partnership, to handle the challenges of structural change.

Brussels, 23 March 2018.

*The President
of the European Committee of the Regions*

Karl-Heinz LAMBERTZ

Opinion of the European Committee of the Regions — Proposal for a European Defence Fund

(2018/C 247/08)

Rapporteur: Dainis Turlais (LV/ALDE), Member of Riga City Council

Reference document: Proposal for a Regulation of the European Parliament and of the Council establishing the European Defence Industrial Development Programme aiming at supporting the competitiveness and innovative capacity of the EU defence industry

COM(2017) 294 final — 2017/0125(COD)

Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions — Launching the European Defence Fund

COM(2017) 295 final

I. RECOMMENDATIONS FOR AMENDMENTS

Amendment 1

New citation after last citation

Text proposed by the Commission	CoR amendment
	<i>Having regard to the Permanent Structured Cooperation in Security and Defence (PESCO) agreed by 23 Member States of the European Union on 13 November 2017, as outlined in the Treaty of the EU, Articles 42(6) and 46, as well as Protocol 10 of the said Treaty;</i>

Amendment 2

Recital 2

Text proposed by the Commission	CoR amendment
<p>(2) In order to contribute to the enhancement of the competitiveness and innovation capacity of the Union's defence industry, a European Defence Industrial Development Programme (hereinafter referred to as the Programme) should be established. The Programme should aim at enhancing the competitiveness of the Union's defence industry, inter alia, cyber defence by supporting the cooperation between undertakings in the development phase of defence products and technologies. The development phase, which follows the research and technology phase, entails significant risks and costs that hamper the further exploitation of the results of research and adversely impact the competitiveness of the Union's defence industry. By supporting the development phase, the Programme would contribute to a better exploitation of the results of defence research and it would help to cover the gap between research and production as well as to promote all forms of innovation. The Programme should complement activities carried out in accordance with Article 182 TFEU and it does not cover the production of defence products and technologies.</p>	<p>(2) In order to contribute to the enhancement of the competitiveness and innovation capacity of the Union's defence industry and to efficiency gains for the overall defence spending in the Union, thereby fostering the EU's strategic autonomy, a European Defence Industrial Development Programme (hereinafter referred to as the Programme) should be established. The Programme should ensure that the competitiveness of the Union's defence industry, inter alia, cyber defence is secured, supporting the cooperation between undertakings in particular SMEs, from several states in the development phase of defence products and technologies. The development phase, which follows the research and technology phase, entails significant risks and costs that hamper the further exploitation of the results of research and adversely impact the competitiveness of the Union's defence industry. By supporting the development phase, the Programme would contribute to a better exploitation of the results of defence research and it would help to cover the gap between research and production as well as to promote all forms of innovation. The Programme should complement activities carried out in accordance with Article 182 TFEU and it does not cover the production of defence products and technologies.</p>

Amendment 3

Recital 3

Text proposed by the Commission	CoR amendment
<p>(3) To better exploit economies of scale in the defence industry, the Programme should support the cooperation between undertakings in the development of defence products and technologies.</p>	<p>(3) To better exploit economies of scale in the defence industry, the Programme should support the cooperation between respectively Member States and undertakings in the development of defence products and technologies, thereby promoting the standardisation of military systems while improving their interoperability.</p>

Amendment 4

Recital 4

Text proposed by the Commission	CoR amendment
(4) The Programme should cover a two year period from 1 January 2019 to 31 December 2020 whereas the amount for the implementation of the Programme should be determined for this period.	(4) The Programme should cover a two year period from 1 January 2019 to 31 December 2020 whereas the amount for the implementation of the Programme should be determined for this period. <i>In order to finance the Programme from the general budget of the Union, an amount of EUR 500 million in current prices should be earmarked for that purpose. Considering that the Programme is a new initiative that was not foreseen when the multi-annual financial framework for 2014-2020 was established, and to avoid any negative impact on the financing of existing multiannual programmes, that amount should be drawn from unallocated margins under the multiannual financial framework ceilings. The final amount should be authorised by the European Parliament and the Council through the annual budgetary procedure.</i>

Reason

Self-evident.

Amendment 5

Recital 5

Text proposed by the Commission	CoR amendment
(5) The Programme should be implemented in full compliance with Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council ⁽⁶⁾ . Funding may take in particular the form of grants. Financial instruments or public procurement may be used where appropriate.	(5) The Programme should be implemented in full compliance with Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council ⁽⁶⁾ . Funding may take in particular the form of grants. Financial instruments or public procurement may be used where appropriate, <i>and blending mechanisms could be of interest.</i>
⁽⁶⁾ Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002 (OJ L 298, 26.10.2012, p. 1).	⁽⁶⁾ Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002 (OJ L 298, 26.10.2012, p. 1).

Reason

N/A

Amendment 6

Recital 10

Text proposed by the Commission	CoR amendment
(10) As the objective of the Programme is to support the competitiveness of the Union defence industry by de-risking the development phase of cooperative projects, actions related to the development of a defence product or technology, namely definition of common technical specifications, design, prototyping, testing, qualification, certification as well feasibility studies and other supporting measures, should be eligible to benefit from it. This will also apply to the upgrade of existing defence products and technologies.	(10) As the objective of the Programme is to boost the strategic independence of the EU by building up its defence capability and to support the competitiveness of the Union defence industry by de-risking the development phase of cooperative projects, actions related to the development of a defence product or technology, namely definition of common technical specifications, design, prototyping, testing, qualification, certification as well feasibility studies and other supporting measures, should be eligible to benefit from it. This will also apply to the upgrade of existing defence products and technologies developed by the Member States .

Amendment 7

Recital 13

Text proposed by the Commission	CoR amendment
(13) As the Programme aims at enhancing the competitiveness of the Union's defence industry, only entities established in the Union and effectively controlled by Member States or their nationals should be eligible for support. Additionally, in order to ensure the protection of essential security interests of the Union and its Member States, the infrastructure, facilities, assets and resources used by the beneficiaries and subcontractors in actions funded under the Programme, shall not be located on the territory of non-Member States.	(13) As the Programme aims at enhancing the competitiveness of the Union's defence industry, only entities established in the Union and effectively controlled by Member States or their nationals should be eligible for support. Additionally, in order to ensure the protection of essential security interests of the Union and its Member States, the infrastructure, facilities, assets and resources used by the beneficiaries and subcontractors in actions funded under the Programme, shall not be located on the territory of non-Member States. As part of cross-border cooperation, undertakings which are EU based must be protected from interference from undertakings from third countries from non-Member States.

Amendment 8

Recital 21

Text proposed by the Commission	CoR amendment
(21) The Commission should establish a multiannual work programme in line with the objectives of the Programme. The Commission should be assisted in the establishment of the work programme by a committee of Member States (hereinafter referred to as Programme Committee). In light of the Union policy on Small and Medium Enterprises (SMEs) as key to ensuring economic growth, innovation, job creation, and social integration in the Union and the fact that the supported actions will typically require trans-national collaboration, it is of importance that the work programme will reflect and enable such cross-border participation of SMEs and that therefore a proportion of the overall budget will benefit such action .	(21) The Commission should establish a multiannual work programme in line with the objectives of the Programme. The Commission should be assisted in the establishment of the work programme by a committee of Member States (hereinafter referred to as Programme Committee). In light of the Union policy on Small and Medium Enterprises (SMEs) as key to ensuring economic growth, innovation, job creation, and social integration in the Union and the fact that the supported actions will typically require trans-national collaboration, it is of importance that the work programme will reflect and enable such cross-border participation of SMEs, if the level of financial assistance amounts to at least 20 % of the overall annual budget.

Amendment 9

New recital after recital 25

Text proposed by the Commission	CoR amendment
	(26) <i>The Commission should focus on a territorial and/or place-based approach and in so doing keep SMEs, regional clusters and regions in all the Member States informed about the possibilities of benefiting from the programme and about further funding opportunities for defence plans, particularly with a view to supporting regional strategies for intelligent specialisation.</i>

Amendment 10

Article 2

Text proposed by the Commission	CoR amendment
<i>Article 2</i>	<i>Article 2</i>
Objectives	Objectives
The Programme shall have the following objectives:	The Programme shall have the following objectives:
a) to foster the competitiveness and innovation capacity of the Union defence industry by supporting actions in their development phase;	a) to foster the competitiveness and innovation capacity of the Union defence industry by supporting actions in their development phase;

Text proposed by the Commission	CoR amendment
<p>b) to support and leverage the cooperation between undertakings, including small and medium-sized enterprises, in the development of technologies or products in line with defence capability priorities commonly agreed by Member States within the Union;</p> <p>c) to foster better exploitation of the results of defence research and contribute to closing the gaps between research and development.</p>	<p>b) to support and leverage the cooperation between undertakings, including small and medium-sized enterprises, in the development of technologies or products in line with defence capability priorities commonly agreed by Member States within the Union;</p> <p>c) to foster better exploitation of the results of defence research and contribute to closing the gaps between research and development;</p> <p>d) to build up defence and security capacities in EU Member States with external borders.</p>

Reason

The programme has to be inclusive and open to beneficiaries from all Member States, breaking geographical silos. In order to implement liabilities in controlling and defending EU external borders, respective Member States should have the possibility to develop smart specialisation in the context of the defence industry.

Amendment 11

Article 3

Text proposed by the Commission	CoR amendment
<p><i>Article 3</i></p> <p>Budget</p> <p>The amount for the implementation of the Programme for the period 2019-2020 is set at EUR 500 million in current prices.</p>	<p><i>Article 3</i></p> <p>Budget</p> <p>The amount for the implementation of the Programme for the period 2019-2020 is set at EUR 500 million in current prices, to be drawn exclusively from unallocated margins and not from budget reallocations.</p>

Reason

It is not conceivable that the budget for this programme, which was not anticipated at the moment of establishing the multi-annual financial framework, would be drawn from means already allocated to current EU programmes.

Amendment 12

Article 4(1)

Text proposed by the Commission	CoR amendment
<p>General financing provisions</p> <p>The Union's financial assistance may be provided through the types of financing envisaged by Regulation (EU, Euratom) No 966/2012, and in particular:</p> <p><i>a)</i> grants;</p> <p><i>b)</i> financial instruments;</p> <p><i>c)</i> public procurement.</p>	<p>General financing provisions</p> <p>The Union's financial assistance may be provided through the types of financing envisaged by Regulation (EU, Euratom) No 966/2012, in particular grants <i>and also, where necessary,</i> financial instruments and public procurement. <i>Financial help from the Union can be provided in order to give technical assistance in the development of projects by SMEs.</i></p>

Amendment 13

Article 7(1)

Text proposed by the Commission	CoR amendment
<p>Eligible Entities</p> <p>Beneficiaries shall be undertakings established in the Union, in which Member States and/or nationals of Member States own more than 50 % of the undertaking and effectively control it within the meaning of Article 6(3), whether directly or indirectly through one or more intermediate undertakings. In addition, all infrastructure, facilities, assets and resources used by the participants, including subcontractors and other third parties, in actions funded under the Programme shall not be located on the territory of non-Member States during the entire duration of the action.</p>	<p>Eligible Entities</p> <p>Beneficiaries <i>which meet the criteria for cross-border cooperation, and their subcontractors</i> shall be undertakings established in the Union, in which Member States and/or nationals of Member States own more than 50 % of the undertaking and effectively control it within the meaning of Article 6(3), whether directly or indirectly through one or more intermediate undertakings. In addition, all infrastructure, facilities, assets and resources used by the participants, including subcontractors and other third parties, in actions funded under the Programme shall not be located on the territory of non-Member States during the entire duration of the action.</p>

Amendment 14

Article 10

Text proposed by the Commission	CoR amendment
<p>Award criteria</p> <p>Actions proposed for funding under the Programme shall be evaluated on the basis of the following cumulative criteria:</p> <p><i>(a)</i> excellence</p> <p><i>(b)</i> contribution to the innovation and technological development of defence industries and thus to fostering the industrial autonomy of the Union in the field of defence technologies; and,</p>	<p>Award criteria</p> <p>Actions proposed for funding under the Programme shall be evaluated on the basis of the following cumulative criteria:</p> <p><i>(a)</i> excellence</p> <p><i>(b)</i> contribution to the innovation and technological development of defence industries and thus to fostering the industrial autonomy of the Union in the field of defence technologies; and,</p>

Text proposed by the Commission	CoR amendment
<p>(c) contribution to the security and defence interests of the Union by enhancing defence technologies which contribute to implement defence capability priorities commonly agreed by Member States within the Union; and,</p> <p>(d) viability notably via a demonstration by the beneficiaries that the remaining costs of the eligible action are covered by other means of financing such as Member States' contributions; and</p> <p>(e) for actions described in points (b) to (e) of Article 6(1), the contribution to the competitiveness of the European defence industry through the demonstration by the beneficiaries that Member States have committed to jointly produce and procure the final product or technology in a coordinated way, including joint procurement where applicable.</p>	<p>(c) contribution to the security and defence interests of the Union by enhancing defence technologies which contribute to implement defence capability priorities commonly agreed by Member States within the Union; and,</p> <p>(d) viability notably via a demonstration by the beneficiaries that the remaining costs of the eligible action are covered by other means of financing such as Member States' contributions; and</p> <p>(e) for actions described in points (b) to (e) of Article 6(1), the contribution to the competitiveness of the European defence industry through the demonstration by the beneficiaries that Member States have committed to jointly produce and procure the final product or technology in a coordinated way, including joint procurement where applicable.</p> <p><i>Measures proposed for funding under the programme, which is designed to support SMEs and capacity-building in defence and security for regions situated on the EU's external borders, should be assessed on the basis of the following criteria:</i></p> <p><i>(a) excellence</i></p> <p><i>(b) potential to build up an integrated system of undertakings in the domain of security and defence</i></p> <p><i>(c) viability via a demonstration by the beneficiaries that the remaining costs are covered by other means of financing such as Member States' contributions.</i></p>

Reason

N/A

Amendment 15

Article 13(3)

Text proposed by the Commission	CoR amendment
Work programme	Work programme
The work programme shall ensure that a credible proportion of the overall budget will benefit actions enabling the cross-border participation of SMEs.	The work programme shall ensure that at least 20 % of the overall budget will benefit actions enabling the cross-border participation of SMEs.

Reason

N/A

II. POLICY RECOMMENDATIONS

THE EUROPEAN COMMITTEE OF THE REGIONS,

Introduction

1. notes that global security is under threat from an increasingly broad range of threats (war, armed conflict, terrorism, illegal immigration, corruption and populism). Each EU Member State and each region has specific security problems. The European Committee of the Regions (CoR) supports the proposed 'European Defence Industrial Development Programme' and the aims thereof: enhancing the competitiveness and innovation of the Union's defence industry, including cyber defence, better exploitation of the results of defence research, promoting collaboration between undertakings in the development of defence products and technologies and the use of Member States' long-term cooperative projects. Also to be welcomed is the initiative for setting up a European Defence Fund (EDF), encompassing both the 'European Defence Industrial Development Programme' and the 'Preparatory Action for Defence Research';

2. reckons that the security of each country and of the whole EU is essentially based on two pillars: economic potential and a society hallmarked by unity and cohesion. The security of each individual Member States is now synonymous with the security of the whole EU. The EU must scale up its efforts to improve its security and raise its profile as an influential global player for peace;

Compliance with the subsidiarity and proportionality principles

3. acknowledges art. 173 TFEU as the appropriate legal basis for the Programme as it relates to the competitiveness of industry;

4. stresses that the implementation of the EDIDP programme will be managed by the European Defence Agency which operates as a regulatory agency responsible to the Council only. Moreover, it is not common practice for a regulatory agency to manage such large budget allocations. The CoR therefore calls on the European Commission to ensure the utmost transparency in operating the EDIDP programme and take example from the functioning of executive agencies responsible to the European Parliament;

5. calls on the Commission to use the potential of all EU Member States and not to concentrate support in specific areas. It should also not be forgotten that regional development is likewise important for domestic security in the individual Member States and is one of their development aims;

6. calls for the expansion of the security and defence capacities of regions with external EU borders to be kept in mind;

Focus on EU value added

7. insists that the EU can achieve peace, freedom, equality and stability if it works closely with the Member States' governments in those areas where the matter of European value added is on the agenda. The action plan on the European Defence Fund must also contain a commitment to this aim;

8. supports the European Commission's commitment to use all its powers to strengthen the EU Member States' defence capabilities and to promote cooperation between states, aimed at securing deeper integration and giving clear guidance as to what direction support for planning national defence capabilities and the expansion of competitive, integrated supply chains should take;

9. would point out that the expansion of competitive, integrated supply chains in the EU depends on Member States' political will to commit to this. The European Defence Fund should shape and promote common measures between Member States in the area of defence products and technologies;

10. underlines that efforts should be undertaken to actively work towards strategic autonomy for the EU and boost its defence capabilities. The competitiveness of the European defence industry must be supported and it should be carefully examined whether contractors really come from the EU. The main contractors and sub-contractors must be EU-based and undertakings must be at least half-owned by EU Member States or natural or legal persons, and be effectively controlled by European capital. The management and actual control of these companies must be locatable in the European Union. Furthermore, the European Commission must watch that no non-Member States exercises de facto control over organisations belonging to a consortium;

11. emphasises that the European Defence Fund does not replace Member States' own measures, but complements these with cross-border projects that Member States could not finance alone. The European Defence Fund offers — in partnership with Member States, NATO and other international investments — a complement to Member States' measures and delivers clear European value added for European defence policy;

Integration of SMEs in the supply chains of the European defence industry

12. welcomes the 'life cycle' approach for the European Defence Fund in supporting research and development of products and technologies in the area of defence, for which two areas (windows) are planned in the EDF;

13. strongly urges that additional points be given when examining project applications from consortia to which a large number of SMEs belong;

14. points out that a key condition for developing the two area of the European Defence Fund is an effective mechanism for capability planning, in which priorities for research and capabilities are laid down and close coordination of both areas is undertaken;

15. is of the view that additional funding resources for supporting the defence industry in its own territory must be deployed, and endorses the definition of the beneficiaries used by the Commission in its communication;

16. calls on Member States to be actively involved in managing the two fund areas and in laying down their needs and priorities;

17. welcomes the Commission's plans for the efficient use of civil applications in the military domain; deems investment in these technologies to be an outstanding opportunity for boosting economic growth in the EU and for creating highly skilled jobs, because this area is at the cross-roads of many sectors: electronics, air travel, robotics, high performance computing, space travel, textiles, construction, telecommunications, surveillance technology, energy, navigation, etc.;

18. points out that undertakings working with these innovative technologies are predominantly start-ups and SMEs which, with the help of appropriate support, could make a considerable contribution to technological progress in the defence sector. The Commission's decision to the effect that the EU wishes to provide targeted support for SMEs in this sector is to be welcomed;

19. calls for better coordination between the relevant services in order to keep interested parties informed and to promote new goods and technologies with dual use. The EU must turn this enormous potential to good use for boosting growth and competitiveness;

20. shares the European Commission's view in relation to easier SME participation in cross-border projects, which is to be supported as part of the European Defence Fund. It must be borne in mind that the inclusion of SMEs in the European defence industry supply chains should serve to enhance the security and defence of the EU, competitiveness of the industry and the strategic autonomy thereof. The European Defence Fund should offer incentives for achieving these aims;

21. is of the view that the European Commission needs to mobilise all the instruments it has available so that SMEs throughout the EU have equal access to the EDF. Progress in innovation is not measurable in the short term; the results must first reach full maturity. Of course the introduction of a planned, coordinated innovation policy which covers all levels would provide the most innovative undertakings with the incentive to become strategic investors in SMEs;

22. calls on the Commission to support the following measures, by means of which SME participation in defence projects could be stepped up:

- the award criteria for funding cooperative projects in the current multiannual financial framework (MFF) should also include the condition that at least three undertakings from at least two Member States must be involved. It is important that the proposed projects actually are cross-border in nature and can help reduce fragmentation of the market in defence products in the EU. The award criteria should include additional points for such consortia in which several undertakings and Member States are involved;
- consortia with a larger number of participating SMEs should be given priority over comparable projects with a lower number of SMEs;
- urges that, insofar as is possible, at least one subject area of research and development should have SME relevance, as is already the case in the administration of public tenders for research proposals;
- calls for a stable communications system to be built up to coordinate common information measures taken by the relevant Commission departments, where one major advantage of having such a system would be a one-stop shop for information on all the financing possibilities, including all relevant EU programmes on defence and dual-use goods. It is important that this communication system be used to publicise examples of tried and tested procedures;
- welcomes the European Commission's decision to earmark a part of the European Defence Fund for SMEs and, in fact, for projects which promote cross-border participation of SMEs; welcomes the Union's support of up to 20 % of the overall budget for this;

Funding

23. points out that the EIB group is an important partner for investments in dual use technologies where SMEs play an important role in the areas of military equipment and technology for civil use, cybersecurity, vaccines, biosafety and telecommunications and information infrastructure;

24. emphasises that, given the particular nature of the defence sector, not all bank services are suitable for supporting SMEs; welcomes the EIB's proactive approach of using other instruments such as loans, guarantees and equity;

25. considers that the adoption of a European Defence Fund must not be used as a pretext for reducing or affecting in any way allocations for cohesion policy, which must remain the European Union's main public investment tool with a view to improving European integration through social, economic and territorial cohesion.

Brussels, 23 March 2018.

*The President
of the European Committee of the Regions*
Karl-Heinz LAMBERTZ

III

(Preparatory acts)

COMMITTEE OF THE REGIONS

128TH COR PLENARY SESSION, 22.3.2018-23.3.2018

Opinion of the European Committee of the Regions — The amended SRSP and new budgetary instruments for the euro area

(2018/C 247/09)

Rapporteur-general: Olga ZRIHEN (BE/PES), Member of the Walloon Parliament**Reference documents:** Communication on new budgetary instruments for a stable euro area within the Union framework

COM(2017) 822 final

Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) 2017/825 to increase the financial envelope of the Structural Reform Support Programme and adapt its general objective

COM(2017) 825 final

For information:

Communication on further steps towards completing Europe's Economic and Monetary Union: A Roadmap

COM(2017) 821 final

I. RECOMMENDATIONS FOR AMENDMENTS

Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) 2017/825 to increase the financial envelope of the Structural Reform Support Programme and adapt its general objective COM(2017) 825 final

Amendment 1

Recital 1

Text proposed by the Commission	CoR amendment
<p>The Structural Reform Support Programme ('the Programme') was established with the objective of strengthening the capacity of Member States to prepare and implement growth-sustaining administrative and structural reforms, including through assistance for the efficient and effective use of the Union funds. Support under the Programme is provided by the Commission, upon request by a Member State, and can cover a wide range of policy areas. Developing resilient economies built on strong economic and social structures, which allow Member States to efficiently absorb shocks and swiftly recover from them, contributes to economic and social cohesion. The implementation of institutional, administrative and growth-sustaining structural reforms is an appropriate tool for achieving such a development.</p>	<p>The Structural Reform Support Programme ('the Programme') was established with the objective of strengthening the capacity of Member States to prepare and implement growth-sustaining administrative and structural reforms which are relevant for the implementation of the EU Treaty objectives and relate directly to EU competences, including through assistance for the efficient and effective use of the Union funds. Support under the Programme is provided by the Commission, upon request by a Member State. Developing resilient economies built on strong economic and social structures, which allow Member States to efficiently absorb shocks and swiftly recover from them, should contribute to economic, social and territorial cohesion. Ownership of EU-relevant structural reforms on the ground, in particular through local and regional authorities and the social partners, is essential for the Programme to be successful.</p>

Amendment 2

Recital 3

Text proposed by the Commission	CoR amendment
<p>Strengthening economic and social cohesion by reinforcing structural reforms is crucial for successful participation in the Economic and Monetary Union. That is particularly important for Member States whose currency is not the euro, in their preparation to join the euro area.</p>	<p>Strengthening economic, social and territorial cohesion through EU-relevant structural reforms is crucial for successful participation and enhanced convergence in the Economic and Monetary Union. That is particularly important for Member States whose currency is not the euro, in their preparation to join the euro area.</p>

Amendment 3

Recital 5

Text proposed by the Commission	CoR amendment
<p>It is also necessary to indicate that actions and activities of the Programme may support reforms that may help Member States that wish to adopt the euro to prepare for participation in the euro area.</p>	

Reason

Redundant given Recital 3.

Amendment 4

Recital 6

Text proposed by the Commission	CoR amendment
In order to meet the growing demand for support from Member States, and in view of the need to support the implementation of structural reforms in Member States whose currency is not the euro, the financial allocation for the Programme should be increased to a sufficient level that allows the Union to provide support that meets the needs of the requesting Member States.	In order to meet the growing demand for support from Member States, and in view of the need to support the implementation of EU-relevant structural reforms in Member States whose currency is not the euro, the financial allocation for the Programme should be increased by using the Flexibility Instrument under Article 11 of the current Multiannual Financial Framework to a sufficient level that allows the Union to provide support that meets the needs of the requesting Member States.

Amendment 5

Article 1

Text proposed by the Commission	CoR amendment
<p><i>'Article 4</i></p> <p>General objective</p> <p>The general objective of the Programme shall be to contribute to institutional, administrative and growth-sustaining structural reforms in the Member States by providing support to national authorities for measures aimed at reforming and strengthening institutions, governance, public administration, and economic and social sectors in response to economic and social challenges, with a view to enhancing cohesion, competitiveness, productivity, sustainable growth, job creation, and investment, which will also prepare for participation in the euro area, in particular in the context of economic governance processes, including through assistance for the efficient, effective and transparent use of the Union funds.;</p>	<p><i>'Article 4</i></p> <p>General objective</p> <p>The general objective of the Programme shall be to contribute to institutional, administrative and growth-sustaining structural reforms in the Member States that bring European added value in policy areas relating to competences shared between the Union and the Member States and that are not already targeted by a technical assistance programme by providing support to Member States' public authorities for measures aimed at reforming and strengthening institutions, governance, public administration, and economic and social sectors in response to economic and social challenges, with a view to enhancing cohesion, competitiveness, productivity, sustainable growth, job creation, and investment, which will also prepare for participation in the euro area, in particular in the context of economic governance processes, including through assistance for the efficient, effective and transparent use of the Union funds.;</p>

Amendment 6

New Article 1(1)a

Text proposed by the Commission	CoR amendment
	<p data-bbox="1061 405 1166 434"><i>Article 5.2</i></p> <p data-bbox="813 533 1412 674">The specific objectives set out in para. 1 shall refer to policy areas related to cohesion, competitiveness, productivity, innovation, smart, sustainable, and inclusive growth, jobs and investment, in particular to one or more of the following:</p> <ul style="list-style-type: none"> <li data-bbox="813 770 1412 831">(a) public financial and asset management, budget process, debt management and revenue administration; <li data-bbox="813 927 1412 1093">(b) institutional reform and efficient and service-oriented functioning of public administration, including, where appropriate, through the simplification of rules, effective rule of law, reform of the justice systems and reinforcement of the fight against fraud, corruption and money laundering; <li data-bbox="813 1189 1412 1355">(c) business environment (including for SMEs), re-industrialisation, private sector development, investment, public participation in enterprises, privatisation processes, trade and foreign direct investment, competition and public procurement, sustainable sectoral development and support for innovation and digitalisation; <li data-bbox="813 1451 1412 1617">(d) education and training; labour market policies, including social dialogue, for the creation of jobs; the fight against poverty; the promotion of social inclusion; social security and social welfare systems; public health and healthcare systems; as well as cohesion, asylum, migration and border policies; <li data-bbox="813 1713 1412 1832">(e) policies for implementing climate action, promoting energy efficiency and achieving energy diversification, as well as for the agricultural sector, fisheries and the sustainable development of rural areas; <li data-bbox="813 1928 1412 2069">(f) financial sector policies, including the promotion of financial literacy, financial stability, access to finance and lending to the real economy; the production, provision and quality monitoring of data and statistics; and policies aimed at combating tax evasion.

II. POLICY RECOMMENDATIONS

THE EUROPEAN COMMITTEE OF THE REGIONS

On the amendment to the Regulation for the SRSP 2018-2020

1. agrees with the principle underlying this support programme, which aims to provide — on a voluntary basis and upon request — technical assistance with regard to structural reforms in Member States. In the CoR's view however, the scope of these structural reforms eligible for EU support should be limited to policy areas that are relevant for the implementation of the EU Treaty objectives and relate directly to EU competences. The CoR rejects any proposal to finance unspecified structural reforms in the Member States which have not undergone a prior European added value assessment and which do not relate directly to Treaty-based EU competences. In this context, points to its resolution of 1 February 2018 rejecting the Commission proposal for a regulation amending the Common Provisions Regulation (EU) No 1303/2013 of 6 December 2017 ⁽¹⁾;
2. agrees with the Commission that one of the main objectives of the support programme should be to improve administrative capacity at national, regional and local levels of government in requesting Member States; underlines the importance of multi-level governance and a place-based approach in the identification and implementation of reforms;
3. calls for a single set of guidelines covering all EU-funded tools to improve administrative structures and allowing for effective coordination with existing technical assistance programmes at EU and beneficiary Member State level, as also requested by the European Court of Auditors (ECA);
4. regrets that the Commission has not provided quantitative and qualitative evidence that the Programme is up to the task. Stresses that as a technical support programme, the SRSP should become permanent after 2020 only upon a positive assessment of its results in 2017-2020;
5. stresses that, in view of the division of powers and responsibilities applying in each Member State and the country-specific recommendations (CSR) often addressed to local and regional authorities, the programme must be open to local and regional authorities;
6. is pleased that the Commission proposes to increase the budget of the amended SRSP programme by using the Flexibility Instrument under Article 11 of the current Multiannual Financial Framework;

On ownership and financing of EU-relevant structural reforms

7. stresses that there are many obstacles to the proper planning and implementation of EU-relevant structural reforms in the Member States, including lack of ownership, political and institutional complexity of reforms, possible negative impacts on social groups and territories, lack of fiscal room to bear the cost of reforms, insufficient administrative and institutional capacity, and lack of coordination across levels of government. Generally, ownership at national level for the implementation of CSR is still considered insufficient and this is in part due to lack of full involvement of local and regional authorities in the process as partners;
8. underlines that knowledge centres, providing free technical assistance to local and regional authorities on how to interpret EU rules and utilise EU Funds, play an important role in ensuring effective implementation of rules and absorption of Funds. Calls for Member States who do not have such knowledge centres to consider creating them so as to facilitate the effective use of the new budgetary instrument;
9. highlights that while certain CSR have a legal anchorage through the relevant Stability and Growth Pact (SGP) and Macroeconomic Imbalance (MIP) procedures, others are of political relevance rather than being legally binding; notes that neither the threat of sanctions under the SGP and MIP nor political exposure have ensured satisfactory implementation of

⁽¹⁾ COM(2017) 826 final.

the CSR and an increased ownership of reforms. Calls for a more bottom-up approach through the involvement of local and regional authorities to help create greater ownership;

10. notes that, while the importance of economic policy coordination in the EU is undeniable, it is yet to be ascertained whether the financial incentives and commitments envisaged for certain reforms in the Member States actually have a corresponding legal basis in the Treaty on the Functioning of the European Union; also questions the plan to bind and commit substantial financial resources to an instrument that provides assistance on a purely voluntary basis and is based on an opaque application selection and validation system that would create problems with regard to thematic prioritisation, budget planning and a fair territorial balance;

11. insists also that in light of the current division of powers, many EU-relevant structural reforms affect areas of shared competence of the national and sub-national levels of government. Therefore, to avoid infringements of the subsidiarity and proportionality principles, Member States must involve their regional and local governments as permanent partners in the design and implementation of structural reforms;

12. deplores, therefore, the Commission's proposal that reform commitment and financial incentives be agreed bilaterally between the Commission and national governments and implemented in the context of the European Semester, without allowing for the formal involvement of regional or local levels of government in line with the internal division of powers within each Member State. There is a real risk that the proposed approach would end up jeopardising this division of powers and violating the principles of subsidiarity and local or regional self-government as defined in the corresponding Council of Europe charters. By way of illustration, the reflection paper on 'deepening the EMU', published by the Commission in May 2017, refers for instance to the proposals to agree on binding standards to measure the quality of public spending. Surveillance on these standards through existing scoreboards would be embedded in the European Semester. Making access to EU funds conditional upon achieving a given level of these standards, would amount to the EU imposing its approach and policy direction in policy areas in which it shares competences with the lower levels of government — which would breach the subsidiarity principle;

13. deplores furthermore that criteria for assessing the achievement of reform commitments and the triggering of payment tranches are set and administered by the Commission alone, without the Member State authorities; notes that the proposal lacks transparency on the assessment criteria and that such criteria cannot be deduced from the CSR, which are generally defined without targets, milestones and provisions for systematic monitoring; believes, ultimately, that EU financial incentives should not be perceived as an attempt to bypass democratic processes at European or national level, or as financial blackmail;

14. regrets that the Commission does not provide any basis and indication on how the proposed financial incentives should be quantified, while acknowledging that the quantification of the short-term costs of reforms is likely to vary considerably, according to whether it includes only administrative costs (design, implementation and capacity building) or social costs as well;

15. stresses that reform commitments should build on a realistic assessment of the institutional and administrative capacity challenges of the public bodies concerned, and should include appropriate strategies to improve administrative structures. The uneven playing field which exists between EU Member States and regions regarding administrative structures, also shown by the CoR analysis of the CSR from a territorial perspective, has to be considered;

16. notes that other EU policies help promote structural reforms. This is the case for the ESI Funds, by means of *ex ante* conditionalities, insofar as they relate to the implementation of EU law, to the improvement of administrative structures and, through thematic concentration, to the implementation of the reforms falling within the remit of the Europe 2020 Strategy; stresses therefore that it is of the utmost necessity to provide a policy framework succeeding the Europe 2020 Strategy in order to allow for continued thematic concentration in the next programming period. Underlines that this new framework needs to be based on a new territorial vision bringing the 1999 Spatial Development Perspective up to date ⁽²⁾;

⁽²⁾ CdR 4285/2015.

17. also insists that any further link between EU-relevant structural reforms and cohesion policy makes it even more important that the European Semester be democratised at European level and complemented by a Code of Conduct setting standards for the involvement of local and regional authorities in order to increase the efficiency and ownership of the process ⁽³⁾; stresses that the principles of subsidiarity, proportionality, partnership and multilevel governance should be the common foundation of cohesion policy and other EU policies supporting structural reforms;

18. reiterates its request that the new EMU budgetary tools be funded without crowding out private investments as well as other public funding schemes such as the EU's cohesion policy funding;

19. considers that the proposal for financial incentives for structural reforms, as presented in the communication, is insufficient as a basis upon which to develop the necessary legislative proposals; deplores that the Commission has undertaken no impact assessment nor any stakeholder consultation before publishing it;

20. regrets that the proposal for a pilot phase in 2018-2020 for the reform delivery tool, and related changes to the SRSP regulation and the CPR, is inconsistent with the announced publication of the new MFF proposal in May 2018;

21. therefore suggests that the **following principles** be taken into account when developing a financial support tool to support structural reforms:

- budgetary support for structural reforms to promote economic, social and territorial cohesion and falling within the remit of cohesion policy should be supported by means of the future ESIF programmes while respecting the principles of subsidiarity, partnership and multilevel governance instead of setting up a separate funding programme,
- the share for cohesion policy in the next MFF must remain at the same level as today to ensure the effectiveness of the policy, and a 'top slicing' of ESIF resources to fund structural reforms has to be avoided,
- EU funding for structural reforms falling outside the remit of cohesion policy should be supported by providing loans instead of grants,
- the way of defining and deciding on structural reforms needs to be revised by including local and regional authorities in the European Semester. This would enable a 'territorial dimension' to be added to the European Semester and also facilitate the territorial diversity in Europe, being taken into account and would ensure the full participation of local and regional authorities in the National Reform Programmes and would help respect the division of powers in the EU,
- any proposal for EU funding for structural reforms needs to include an *ex ante* impact assessment and a stakeholder consultation and should include provisions for a mid-term evaluation.

Budgetary instruments for Member States willing to join the euro and for the Banking Union

22. notes that resilient economic structures and a high degree of sustainable convergence are pre-conditions for Member States to adopt the euro; welcomes the proposal to create a convergence facility to support Member States engaging in this endeavour; urges the Commission to clarify the respective roles of the convergence facility, the SRSP, the ESI Funds and the Cohesion Fund;

⁽³⁾ CdR 5386/2016.

23. reiterates its support for the completion of the Banking Union; notes that the Member States have not yet agreed on a fiscal backstop should the Single Resolution Fund prove insufficient; welcomes the Commission proposal to set up a credit line or guarantees within the future European Monetary Fund;

A stabilisation function to protect investment from large asymmetric shocks

24. reiterates that differences in the business cycles of euro area Member States, stemming from structural factors, could be smoothed out by creating an EU instrument to address asymmetric shocks; agrees with the Commission about the criteria which the stabilisation function needs to fulfil;

25. reiterates its view that to be effective, any potential support should not overlap with but rather complement existing instruments such as the European Structural and Investment Funds (ESIF) and the European Fund for Strategic Investment (EFSI);

26. agrees with the Commission that the fiscal capacity should be large enough to be effective; reiterates however its opposition to making euro area fiscal capacity a euro area heading in the EU budget while the own resources ceiling remains fixed at the current level of 1,23 % of EU GNI, to avoid a crowding out effect on funding for the ESIF and other EU policies;

27. stresses that a stabilisation function preserving public investment levels in difficult times from large asymmetric shocks is of the utmost importance for the local and regional authorities; believes that the proposed European Investment Protection Scheme could be a first step towards such a stabilisation function;

28. insists on the importance of the 'stabilisation function' of cohesion policy which, combined with elements of flexibilisation such as the increase of EU co-financing rates and the modulation of pre-financing, played an important role during the financial crisis in safeguarding public investment in regions suffering asymmetric economic shocks;

29. notes that the proposed European Investment Protection Scheme would start with loans, a relatively small grant component and an insurance mechanism based on voluntary Member State contributions; stresses that the Scheme may prove of limited use for Member States with scant fiscal room, which may find it difficult to borrow in times of crisis;

30. calls on the Commission to elaborate on grant-based or insurance-based stabilisation schemes, such as a rainy day fund;

31. looks forward to the announced national investment platforms in which local and regional authorities will play a role, building on their experiences with the ESI Funds and the EFSI.

Brussels, 22 March 2018.

*The President
of the European Committee of the Regions*
Karl-Heinz LAMBERTZ

Opinion of the European Committee of the Regions — European Citizens' Initiative

(2018/C 247/10)

Rapporteur: Luc Van den Brande (BE/EPP), Member of the Flemish-European Liaison Agency

Reference documents: COM(2017) 482 final

SWD(2017) 294 final

I. RECOMMENDATIONS FOR AMENDMENTS

Amendment 1

Article 1

Text proposed by the Commission	CoR amendment
Subject matter	Subject matter
This Regulation establishes the procedures and conditions required for an initiative inviting the European Commission, within the framework of its powers, to submit any appropriate proposal on matters where citizens of the Union consider that a legal act of the Union is required for the purpose of implementing the Treaties (the 'European citizens' initiative' or 'initiative').	This Regulation establishes the procedures and conditions required for an initiative inviting the European Commission, within the framework of its powers, to submit any appropriate proposal on matters where citizens of the Union consider that a legal act of the Union pursuant to Article 288 of the Treaty on the Functioning of the European Union (TFEU) is required for the purpose of implementing the Treaties (the 'European citizens' initiative' or 'initiative').

Reason

Adds a reference to Article 288 of the Treaty on the Functioning of the European Union in order to make it clear that 'legal act' means not just binding regulations, directives and decisions, but also non-binding recommendations and opinions.

Amendment 2

Article 1

Text proposed by the Commission	CoR amendment
Subject matter	Subject matter
This Regulation establishes the procedures and conditions required for an initiative inviting the European Commission, within the framework of its powers, to submit any appropriate proposal on matters where citizens of the Union consider that a legal act of the Union is required for the purpose of implementing the Treaties (the 'European citizens' initiative' or 'initiative').	This Regulation establishes the procedures and conditions required for an initiative inviting the European Commission, within the framework of its powers, to submit any appropriate proposal on matters where citizens of the Union consider that a legal act of the Union is required for the purpose of implementing the Treaties (the 'European citizens' initiative' or 'initiative').

Text proposed by the Commission	CoR amendment
	<i>'Implementing the Treaties' shall also be understood to mean that the Commission has the option, under Article 48 TEU, of submitting proposals for the amendment of the Treaties.</i>

Reason

Article 48 of the Treaty on European Union states that the Commission may submit to the Council proposals for the amendment of the Treaties. Since the Commission has the authority to propose Treaty changes, citizens' initiatives proposing such changes must also be regarded as admissible.

Amendment 3

Article 4.4

Text proposed by the Commission	CoR amendment
<i>Information and assistance by the Commission and by Member States</i>	<i>Information and assistance by the Commission and by Member States</i>
After the Commission has registered an initiative in accordance with Article 6, it shall provide the translation of the content of that initiative into all the official languages of the Union for its publication in the register and its use for the collection of statements of support in accordance with this Regulation. <i>A group of organisers may, in addition, provide translations into all the official languages of the Union</i> of the Annex for its publication in the register and <i>also, as the case may be,</i> of the draft legal act referred to in Annex II and submitted in accordance with Article 6(2).	After the Commission has registered an initiative in accordance with Article 6, it shall provide the translation of the content of that initiative into all the official languages of the Union for its publication in the register and its use for the collection of statements of support in accordance with this Regulation, <i>including</i> translations of the Annex for its publication in the register and <i>if applicable,</i> of the draft legal act referred to in Annex II and submitted in accordance with Article 6(2).

Reason

It seems reasonable that the European Commission, once an initiative is registered, also provides translations of the annex documents, in particular also of the draft legal act if this forms part of the initiative.

Amendment 4

Article 6

Text proposed by the Commission	CoR amendment
<i>Registration</i>	<i>Registration</i>
1. Statements of support for an initiative may only be collected after the initiative has been registered by the Commission.	1. Statements of support for an initiative may only be collected after the initiative has been registered by the Commission.
2. The group of organisers shall submit the request for registration to the Commission through the register.	2. The group of organisers shall submit the request for registration to the Commission through the register.

Text proposed by the Commission	CoR amendment
<p>When submitting the request the group of organisers shall also:</p> <p>(a) transmit the information referred to in Annex II in one of the official languages of the Union;</p> <p>(b) where it is made up of more than 7 members, indicate those seven members to be taken into account for the purpose of Article 5(1) and (2);</p> <p>(c) as the case may be, indicate that a legal entity has been created, pursuant to Article 5(7).</p> <p>Without prejudice to paragraphs 5 and 6, the Commission shall decide on the request within two months of its submission.</p>	<p>When submitting the request the group of organisers shall also:</p> <p>(a) transmit the information referred to in Annex II in one of the official languages of the Union;</p> <p>(b) where it is made up of more than 7 members, indicate those seven members to be taken into account for the purpose of Article 5(1) and (2);</p> <p>(c) as the case may be, indicate that a legal entity has been created, pursuant to Article 5(7).</p> <p>Without prejudice to paragraphs 5 and 6, the Commission shall decide on the request within two months of its submission.</p> <p><i>The Commission shall submit the request for registration to an independent committee of seven members, made up of lawyers, academics and representatives of European civil society, who shall assess the admissibility of the request for registration. They may hold a hearing with the group of organisers. The committee shall provide the Commission with a reasoned decision, and the Commission will take a decision on that basis.</i></p>
<p>3. The Commission shall register the initiative if:</p> <p>(...)</p>	<p>3. The Commission shall register the initiative if:</p> <p>(...)</p>

Reason

One of the key sticking points with the new regulation is still the Commission's conflict of interest and its monopoly over all stages of the procedure. It is therefore proposed — in line with the CoR's 2015 opinion — that the registration decision should be entrusted to an independent committee of lawyers, academics and representatives of European civil society.

Amendment 5

Article 8

Text proposed by the Commission	CoR amendment
<p><i>Collection period</i></p> <p>1. All statements of support shall be collected within a period not exceeding 12 months from a date chosen by the group of organisers (the 'collection period'), without prejudice to Article 11(6). That date must be not later than three months from the registration of the initiative in accordance with Article 6.</p> <p>The group of organisers shall inform the Commission of the date chosen at the latest 10 working days before that date.</p>	<p><i>Collection period</i></p> <p>1. All statements of support shall be collected within a period not exceeding 18 months from a date chosen by the group of organisers (the 'collection period'), without prejudice to Article 11(6). That date must be not later than three months from the registration of the initiative in accordance with Article 6.</p> <p>The group of organisers shall inform the Commission of the date chosen at the latest 10 working days before that date.</p>

Text proposed by the Commission	CoR amendment
Where the group of organisers wishes to terminate the collection of statements of support before the end of 12 months after the beginning of the collection period, it shall inform the Commission of the date at which the collection period is to end.	Where the group of organisers wishes to terminate the collection of statements of support before the end of 18 months after the beginning of the collection period, it shall inform the Commission of the date at which the collection period is to end.

Reason

Collecting 1 million signatures is quite an undertaking, and requires a great deal of publicising and awareness-raising among citizens. In order to achieve the final target within a year, the group of organisers would have to be extremely well organised. It is important to avoid a situation in which only large, transnationally organised non-governmental organisations are able to launch ECIs. We therefore suggest increasing the collection period to 18 months, which would be less of a deterrent for potential initiative organisers.

Amendment 6

Article 14

Text proposed by the Commission	CoR amendment
<i>Publication and public hearing</i>	<i>Publication and public hearing</i>
1. (...) <p>2. Within three months after the submission of the initiative, the group of organisers shall be given the opportunity to present the initiative at a public hearing.</p> <p>The Commission and the European Parliament shall co-organise the public hearing at the European Parliament. Representatives of the other institutions and advisory bodies of the Union, as well as interested stakeholders, shall be given the opportunity to participate in the hearing.</p> <p>The Commission and the European Parliament shall ensure a balanced representation of relevant public and private interests.</p> <p>3. The Commission shall be represented in the hearing at an appropriate level.</p>	1. (...) <p>2. Within three months after the submission of the initiative, the group of organisers shall be given the opportunity to present the initiative at a public hearing.</p> <p>The European Parliament shall organise the public hearing at the European Parliament. Representatives of the other institutions and advisory bodies of the Union, the National Parliaments, as well as interested stakeholders, shall be given the opportunity to participate in the hearing.</p> <p>The European Parliament shall ensure a balanced representation of relevant interests at the hearing.</p> <p>3. The Commission shall be represented in the hearing at an appropriate level.</p> <p>4. Following the hearing, the European Parliament adopts a recommendation to the European Commission on how to respond to the ECI in question.</p>

Reason

The best place for a group of organisers to explain their initiative is the European Parliament, and it would therefore be logical for the European Parliament to take full responsibility for organising this hearing. There is no institutional reason for the Commission to be involved in organising it. This should also give organisers greater confidence that the process will be transparent and independent. Associating the national Parliaments to this process should increase the chances of creating a European debate.

It is important that the European Parliament adopts its own position on the initiative following the hearing.

Amendment 7

Insert a new article after Article 15.

Text proposed by the Commission	CoR amendment
	<i>Initiatives that do not obtain the certificate provided for in Article 12(5), but that collect 75 % of the necessary signatures within the collection period, shall be forwarded by the Commission to the European Parliament, the European Economic and Social Committee and the European Committee of the Regions for information.</i>

Reason

Past experience has shown that some initiatives that could not obtain the required number of statements of support were nonetheless innovative for European policy. It would therefore be regrettable for the political message of such initiatives to be lost. The European Parliament may decide, based on the social and political relevance of such initiatives, to develop its own initiatives.

Amendment 8

Article 24

Text proposed by the Commission	CoR amendment
Review	Review
The Commission shall periodically review the functioning of the European citizens' initiative and present a report to the European Parliament and the Council on the application of this Regulation no later than five years from the date of application of this Regulation, and every five years thereafter. The reports shall be made public.	The Commission shall periodically review the functioning of the European citizens' initiative and present a report to the European Parliament and the Council on the application of this Regulation no later than three years from the date of application of this Regulation, and every three years thereafter. The reports shall be made public.

Reason

It is important to evaluate the functioning of the ECI at regular intervals, with regard not only to the procedures but also to its political impact and the actual involvement of citizens in the policy. Timely review is needed so that corrective action can be taken, and an interval of three years would therefore be more appropriate. If this new Regulation fails, that would be the end of the ECI.

II. POLICY RECOMMENDATIONS

THE EUROPEAN COMMITTEE OF THE REGIONS,

1. On 13 October 2015, the Committee of the Regions adopted an opinion on the European Citizens' Initiative (ECI) ⁽¹⁾. The opinion was prompted by the European Commission's report on the application of Regulation (EU) No 211/2011. Due to the significant volume and tenor of feedback received during the ongoing procedure, the Committee of the Regions called for a revision of the aforementioned regulation.
2. Europeans are at the heart of the European project. European participatory democracy must be understood as encouraging European citizens to become involved in European politics and to shape Europe's future. The Treaty (Article 10 (3)) confers upon every citizen the right to participate in the democratic life of the Union.
3. The European Citizens' Initiative is a right for European citizens. It **can help to respond** to the **perceived** democratic deficit **of the European Union** and **to** bridge the gap between **EU citizens** and European **institutions and** policy **makers**. With the continuing economic and confidence crisis in the EU, it is crucial **to provide opportunities** for an open dialogue **between EU citizens** in order to prevent their further disenchantment with European integration. **It is particularly important to build or** to restore the trust of **those** young Europeans who may have lost faith in the **process** of European

⁽¹⁾ OJ C 423, 17.12.2015, p. 1.

integration. **By offering** citizens the right of legislative initiative **the ECI** as a transnational tool, **provides an opportunity to engage with the EU's political agenda and** aims to encourage a Europe-wide debate on issues of concern to European citizens.

4. Under Article 11 of the Treaty on European Union, the EU institutions are required to inform citizens and representative associations and to give them the opportunity to make known and publicly exchange their views in all areas of Union action. The same article contains an explicit mandate for the European Commission to consult with parties concerned in order to ensure that the Union's actions are coherent and transparent; the European Commission should take the basic requirement of 'accountability' as a prerequisite for democracy and good governance seriously in line with the spirit of the Treaties.

5. In order to ensure that the ECI can become a successful part of the EU's democratic fabric, it is of key importance that successful ECIs lead to genuine political debates and receive more substantial political follow-up by the EU institutions.

6. The ECI is no substitute for the European Commission's right of initiative which has brought about progress in deepening the Union and which must continue. The ECI is an additional channel for mutual understanding between citizens and provides a transnational dimension to EU debates, which is beneficial to the EU's institutional system as a whole, including the European Commission itself; the ECI therefore has the potential to be a very good example of 'democracy in action'.

7. The European Citizens' Initiative offers the opportunity for European citizens to participate in the European decision-making process and to influence the European policy agenda. However, the Commission needs to develop additional initiatives to strengthen civil dialogue and bring people closer to European policies. The ECI should be seen as one of the instruments for achieving the goals of participatory democracy, but it should not be expected that this initiative will automatically secure public involvement in European decision making.

8. Attention must be paid to the possibilities provided for in the Treaty with regard to participatory democracy and in particular to vertical civil dialogue ⁽²⁾. In order to 'maintain an open, transparent and regular dialogue with representative associations and civil society' (Article 11(2) TEU), the European Commission should initiate a 'dialogue regime' where the European institutions focus on delivering substance rather than concentrating on procedures. The ECI is not a working co-decision instrument: it has to be seen as a basic pillar of participatory democracy dedicated to deliberation, collaboration, cooperation and co-design and as a window of opportunity to confront the European Commission with serious concerns, in order to create awareness and generate mutual understanding.

9. The European Citizens' Initiative is the expression of participatory democracy that complements the notion of representative democracy; it enhances the set of rights related to citizenship of the Union and the public debate on European politics; it should strengthen citizens' ownership of and identification with the Union.

10. The legal and political participatory instruments to come to a renewed governance architecture based on the principle of multilevel governance should be strengthened. Multilevel governance is essentially multi-channelled and therefore allows for more 'active' European citizenship. The challenge is to provide for a system of innovative interest representation in which people feel represented on an equal basis in their various identities.

11. A European public space for debate between citizens and with decision-makers is important for the legitimacy and accountability of the EU. The deficit in democracy can only be eliminated if a European public sphere comes into existence incorporating the democratic process.

12. The policy recommendations on participatory democracy at European level, as expressed in the Committee of the Regions' opinion of 13 October 2015, remain in full force.

⁽²⁾ Reaching out to EU citizens; A new opportunity 'About us, with us, for us', a report by Luc Van den Brande, Special Adviser to the President of the European Commission, Jean-Claude Juncker, October 2017.

The new regulation on the European Citizens' Initiative

13. In its 2015 opinion, the Committee of the Regions said that the ECI in its current form would not promote participatory democracy, because the procedure and the various rules entailed too many administrative and technical constraints, obstacles and hindrances that would discourage citizens from taking part in the European democratic process. Moreover, the current citizens' initiative did not allow citizens to influence the European policy agenda and political decision-making process.

14. In line with the views already voiced by the European Parliament, the European Economic and Social Committee and the European Ombudsman, the Committee of the Regions considers that the new regulation is an important step in the right direction to improve the ECI's procedures.

Procedural and administrative improvements in the new regulation

15. The Committee of the Regions welcomes the following procedural and administrative improvements in the new regulation proposed by the Commission:

- Citizens launching an initiative are individuals (organisers) but henceforth they may create an entity with legal personality so as to limit the criminal liability of organisers for fraud and serious negligence.
- The period allowed for collecting signatures is still 12 months, but the organisers of the initiative are given a further three months after registration to decide on the starting date of the collection period.
- Anyone over the age of 16 may sign a statement of support.
- The personal data that must be submitted by anyone signing a statement of support have been simplified. It will be possible for all EU citizens to give their support based on their nationality, regardless of their place of residence. The Commission proposes a choice between two templates for statements of support. (Currently Member States use 13 different forms).
- Improvements in the registration procedure, including the possibility of registering initiatives in part instead of rejecting the whole initiative on the basis of admissibility, with the Commission registering only the admissible part.
- An online collaborative platform for the ECI providing a forum for discussion, advice and support for organisers will be set up.
- A central online collection system (OCS) will be set up and operated by the Commission in order to simplify the collection and cataloguing of statements of support as well as the checking of these statements by national authorities. The Commission will develop and host it permanently and offer it free of charge.
- Upon registration of an ECI, the Commission will provide translation into all EU languages and inform all the other EU institutions and bodies about a new ECI.
- The Commission provides support for (potential) organisers of an ECI (the Member States are asked to set up one or more ECI contact points).
- The Commission will provide awareness-raising and communication activities on the ECI.

The political approach is still missing

16. Notwithstanding the above proposals and measures included in the new regulation with a view to improving the ECI procedure and removing many obstacles, there is still an impression of an insufficiently open and over-cautious stance on the part of the Commission. This is especially evident in the more political aspects of the citizens' initiative:

- Participatory democracy is particularly important for restoring or improving confidence in the European project. The ECI must therefore be seen as a cross-border instrument allowing citizens to take part in the European democratic process and giving them a voice in EU policy-making: a European public space for debate between citizens and policy makers. The new regulation does not provide an adequate basis for this.
- The current conflict of interest on the part of the Commission is seriously damaging the effectiveness of the ECI in fostering public participation and confidence: in parallel, it has to be a key information provider and support structure for ECIs, is the primary 'addressee' for ECIs, and decides on registration and admissibility of the initiatives.
- The new regulation does nothing to resolve the Commission's conflict of interest, namely that it is: (1) the central information provider, (2) the support structure for citizens' initiatives, (3) the authority to which organisers must report and with which they must register, (4) the authority that determines whether an initiative may be registered, and (5) the body which must follow up on a successful ECI. The failure to resolve this conflict of interest continues to damage the effectiveness and the legitimacy of the European Citizens' Initiative. The CoR therefore proposed in its 2015 opinion that an impartial ad hoc committee composed of experts, academics and lawyers be set up to investigate the admissibility criteria as a kind of 'wise-persons council' or 'European Citizens Advocacy'.
- The Commission limits ECIs to matters falling within the Commission's remit where a legal act of the Union may be required in the framework of the Treaties. The Commission cleaves to the legalistic approach and does not provide sufficient clarity according to criteria to be defined. This could give rise to arbitrary assessments and risks, stifling any open and transparent political debate.
- Likewise, the Commission has not put forward any proposal that would address the wish to accept citizens' initiatives proposing an amendment to the EU treaties.
- It would have been appropriate to refer to citizens' rights and duties and to the principle of subsidiarity in the eligibility criteria.
- Certain citizens' initiatives have been put forward on important issues, but did not reach one million signatures or reached the required minimum in certain countries. Such ECIs are currently just put in a drawer. In cases where a significant number of signatures have been collected, however, the Commission should develop appropriate types of response so as not to lose the potential political message and associated mobilisation.
- The Commission should explain its political choices to the public in a detailed and transparent manner in its formal response to an ECI that has obtained more than one million signatures. Politically strong follow-up should be ensured.
- The European Parliament has an essential role to play in initiating political debate with the general public, for instance through the public hearings for which provision is made. Parliament should also act as a guarantor of political follow-up to successful ECIs and internalisation of the political message of ECIs that do not reach the required number of signatures.
- Serious consideration should be given to possibilities for a more structured, long-term follow-up to the European Parliament hearings by creating opportunities for citizens to review the action taken in response to a successful ECI and continue the debate about the subject. A formal second hearing organised by the EP and also involving the ECI proponents, following the publication of the European Commission's reaction to an ECI and creating space for further debate between all interested parties, should be explored.

Increase general awareness and knowledge of the ECI

17. Public awareness of the ECI is important. To this end, publicity and promotion campaigns should be organised with a view to giving the ECI a higher profile in the media and among the public.

18. The ECI could be an effective tool for democratic participation. The Commission and the Member States should therefore maximise their communication efforts with regard to this instrument in order to bring its existence to the attention of as many Europeans as possible and encourage active participation in it.

The contribution of the Committee of the Regions and LRAs

19. The Commission should also encourage and support local and regional elected representatives in spearheading the efforts to inform their citizens about the ECI instrument.

20. The ECI provides European citizens with an instrument which allows them to participate actively in European policy making. The European Committee of the Regions recognises its own role and responsibilities and in this context flags up the decision of its Bureau ⁽³⁾ on the CoR's involvement in European Citizens' Initiatives. It reiterates its commitment to support ECIs which fall within the CoR's political remit and which are deemed politically relevant, for example by: supporting the European Commission in its screening of proposed ECIs from the perspective of their local/regional relevance and subsidiarity; hosting events linked to the ECI; supporting decentralised communication action on the ECI; where appropriate, drawing up own-initiative opinions on the subject of the ECI; participating actively in EP hearings and the political follow up; supporting the implementation of successful ECIs and where appropriate the legislation in response to them.

Brussels, 23 March 2018.

*The President
of the European Committee of the Regions*
Karl-Heinz LAMBERTZ

⁽³⁾ 144th meeting of the Committee of the Regions Bureau, 10 April 2013, item 8 — CDR1335-2013_11_00_TRA_NB-item 8.

ISSN 1977-091X (electronic edition)
ISSN 1725-2423 (paper edition)



Publications Office of the European Union
2985 Luxembourg
LUXEMBOURG

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