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I

(Resolutions, recommendations and opinions)

RESOLUTIONS

COMMITTEE OF THE REGIONS

123RD PLENARY SESSION, 11-12 MAY 2017

Resolution of the European Committee of the Regions on the European Commission White Paper on the Future of Europe — Reflections and scenarios for the EU27 by 2025

(2017/C 306/01)

THE EUROPEAN COMMITTEE OF THE REGIONS (CoR)

1. takes note of the European Commission's 'White Paper on the future of Europe: Reflections and Scenarios for the EU27 by 2025' as one of the important contributions to the current round of debates on the Union's future development, which must lead to tangible results ahead of the June 2019 European elections and beyond;
2. welcomes the Rome declaration in which the signatories state that they 'will work together at the level that makes a real difference, be it the European Union, national, regional, or local, and in a spirit of trust and loyal cooperation, both among Members States and between them and the EU institutions, in line with the principle of subsidiarity';
3. is committed to unconditional respect for the founding values of human dignity, freedom, democracy, equality, the rule of law and respect for human rights as well as respect for the objectives of the EU, including the aspiration to create an ever closer union among the peoples of Europe, as defined in the Treaties and the EU Charter of Fundamental Rights;
4. highlights the fact that the supposedly key role of devolved local and regional bodies envisaged by the Lisbon Treaty has not been fully realised in a genuine approach of subsidiarity and participation in the European legislative process. As it is, regional bodies still tend to be almost always on the receiving end of EU policies rather than playing a meaningful role in drawing them up, particularly as regards the legislative process;
5. recalls that the EU's policies and institutions were not created as aims in themselves, but must be at the service of citizens if they are to achieve the overarching aims and values of the European Union; underlines that these institutions and policies are based on the compromises needed to balance different interests and views and reflect the outcome of democratic processes; therefore hopes that in the search for the broadest possible consensus, rather than allowing minimalist compromises to prevail, political solutions anchored in common solidarity — the fundamental principle of a united Europe — will be pursued, an approach that will also serve to overcome the current sense of scepticism and thus restore people's faith in the European project;
6. as the EU's political assembly of local and regional representatives, believes in the importance of decisions being taken as close to citizens as possible and with shared sovereignty at EU level as a way to improve the capacity of each and every EU citizen to shape his or her destiny;

7. stresses that economic, social and territorial cohesion within the EU is essential, and underlines that effective and balanced economic and social development is crucial to reducing disparities between EU regions; in this respect, cohesion policy is the policy which most directly enables local and regional authorities to take part in the European integration process and build solidarity, as well as demonstrating the benefits of EU membership at local and regional level. Cohesion policy is an indispensable EU policy that offers particular European added value, therefore the CoR strongly rejects any scenario for the future of the EU, which would limit cohesion policy or abolish it altogether and expresses its dismay that an official document of the Commission could even consider such a hypothesis;

8. understands that the scenarios presented in the White Paper are a wake-up call, highlighting the risks and opportunities for the EU as well as providing a warning that no part of the so-called 'acquis' can be taken for granted; stresses that the debate on the speed or intensity of EU integration should not detract attention from the fact that the real challenge is to avoid a multi-directional Europe; is convinced that the focus must be on the unity and respect for diversity and for local specificities needed to ensure a sustainable future for all EU citizens;

9. emphasises that one of the unique aspects of the European Union is its multi-level governance structure and regrets that this aspect is not recognised in the White Paper; also regrets that the White Paper does not present the territorial implications of the different scenarios presented. Highlights the fact that cities and regions on the whole enjoy greater trust from citizens; therefore believes that citizens and their hopes, expectations and concerns must be at the centre of all political actions and stresses that any discussions about the future of the European Union and reforms resulting from these debates must be bottom-up, involving all levels of governance; points out that in any event, the 'Community' method and spirit of working must take precedence over the 'intergovernmental' approach in all the EU's decision-making processes;

10. agrees with the key priority areas identified in the White Paper and in the Rome declaration, and strongly believes that the European Commission, as the supra-national guardian of the EU Treaties and the institution entrusted to promote the general interest of the Union, should put forward detailed proposals on these matters; the CoR stands ready to provide its political response and suggestions from a local and regional perspective;

11. so as to enable a stronger European representative and participatory democracy, calls for a revision and simplification of the European Citizens Initiative. Underlines the need to introduce a legal obligation for the European Commission not only to examine but to open a debate followed by a vote in the Council of the EU and the European Parliament on a successful ECI which gathers 1 million signatures, and suggests exploring other means of facilitating the exercise of participating in EU decision-making ⁽¹⁾;

12. highlights a number of elements that are vital for defining a credible and ambitious scenario for the future of the European Union from the viewpoint of regions and cities:

12.1 an active European citizenship which encourages exchanges and cooperation with and between citizens in order to foster a European identity and a sense of ownership of the European project;

12.2 applying the principles of partnership, multilevel governance and subsidiarity across all policy areas, as well as encouraging collaboration between all sectors in society, in order to achieve a more democratic, effective and reformed EU;

12.3 strengthening the social dimension of the EU and of the Economic and Monetary Union; expects that a legislative proposal for a European Pillar of Social Rights would allow labour rights and labour mobility in a changing labour market to be addressed while respecting the principle of subsidiarity; this proposal should not consist of soft law, complementing the existing acquis, but should contain measures with the same force as those taken in connection with the Economic and Monetary Union, as this would help increase citizens' perception of a more social EU that is capable of resolving their problems;

⁽¹⁾ Resolution on Improving the functioning of the European Union: Lisbon Treaty and beyond (RESOL-VI/005).

12.4 a fully accountable and transparent EU, where citizens are able to recognise clearly who is politically responsible and accountable for the decisions taken in the European Union and where all levels of governance take their share of the responsibility for taking and implementing decisions;

12.5 a comprehensive, properly financed, long-term and credible strategy to achieve and strengthen the foundations of economic and social cohesion and convergence between regions in the EU, and ensure upward social convergence, with human security as its cornerstone and incorporating the UN sustainable development goals into the EU's own short and medium term programmes and implementing actions that are in line with the Agenda 2030 parameters;

12.6 greater involvement of the regions in European decision-making — the process of drafting legislation and taking political decisions, as well as that of implementing and disseminating — is a prerequisite for positive and tangible European integration and for gaining greater trust on the part of the people of Europe. To this end, it would be advisable for any plans for a new European political and institutional framework to also look into the possibility of establishing a representative legislative chamber of the regions and autonomous areas;

12.7 a social EU that promotes equality between women and men and equal rights and opportunities for all; that combats unemployment, discrimination, social exclusion and poverty; an EU in which young people receive the best education and training and are able to study and find work throughout the continent; an EU that preserves our cultural heritage and promotes cultural diversity;

12.8 an innovative, digital and entrepreneurial Europe with cities and regions acting as catalysers and enablers for the creation of new jobs and sustainable growth, particularly for young people;

12.9 an EU budget based on genuine own resources, that is adequate to the EU's ambitions and that strengthens the role of public and private investments in boosting growth and jobs for EU citizens;

12.10 a deeper, fairer and more inclusive European Monetary Union, endowed with the necessary policy instruments to prevent asymmetric shocks and promote social, economic and territorial cohesion, including a fiscal capacity complementary to the EU budget;

12.11 a fully integrated area of freedom, security and justice based on fundamental rights, complete freedom of movement, joint protection of external borders, and a common migration and asylum policy based on human rights, as well as shared commitments particularly in efforts to deal with the current migration situation;

12.12 ensuring full transparency and democratic control at all levels of governance in shaping fair and balanced international trade agreements;

12.13 a common foreign, neighbourhood and defence policy for global stability and a commitment to projecting the EU's values; openness to enlargement when conditions are met, while respecting the EU's integration capacity.

12.14 an EU close to its citizens and able to transmit to them its achievements and future challenges in a clear and understandable manner;

13. is committed to engaging in a bottom-up process with citizens and elected representatives in the EU's regions, cities, towns and villages, as well as other relevant stakeholders, to identify their needs and expectations in relation to the EU over the coming months; underlines that the outcome of this exercise, together with concrete recommendations, will be included in the CoR opinion on 'Reflecting on Europe: the voice of regional and local authorities in rebuilding trust in the European Union';

14. calls on the European Parliament to repeat the *Spitzenkandidaten* process for the European elections of 2019, and offers to help raise awareness of the process and its importance via its network of local and regional politicians;

15. is determined to contribute to a transparent and democratic process of institutional and political reform, with EU citizens at its core and taking into account the EU, national, regional and local levels of governance in time for the results to be put to Europe's citizens in the European elections 2019;

16. underlines that local and regional government, as the level closest to citizens and the main provider of public services, need to have a more prominent role in the EU's decision-making process if the EU is to continue working on areas of local and regional government competence. Therefore, calls for legislation impacting local and regional government to be subject to CoR consent;

17. recalls that some of the changes which citizens may consider a priority could necessitate a revision of the Treaties and insists that in that case, the Convention method according to Art. 48.3 must be used and the CoR should have full representation in such a Convention.

Brussels, 12 May 2017.

*The President
of the European Committee of the Regions*

Markku MARKKULA

Resolution of the European Committee of the Regions on the Draft Annual EU Budget for 2018

(2017/C 306/02)

THE EUROPEAN COMMITTEE OF THE REGIONS (CoR)

- having regard to its opinion on the mid-term revision of the Multiannual Financial Framework (MFF),
- having regard to the European Parliament resolution of 15 March 2017 on general guidelines for the preparation of the 2018 budget, Section III — Commission (2016/2323(BUD)),
 1. welcomes the fact that the adopted Annual EU Budget for 2017 has taken up the CoR's recommendation for increased investment in research, innovation and infrastructure; sufficient commitment and payment appropriations for the Youth Employment Initiative and more funding for bridging cross-border missing transport links ⁽¹⁾; further points out that there are still many areas where the CoR requests have not been addressed, mainly due to the limited size of the EU Budget but where a further effort would be required;
 2. stresses the need for the EU Budget 2018 to provide the European Union with the means necessary to tackle urgent common European challenges in particular in relation to migration, security, climate change and the economic and social recovery and thereby produce tangible European added value for European citizens;
 3. reiterates that the EU Budget still lacks a certain level of flexibility in order to respond to numerous unforeseen events simultaneously and that the proposed mid-term review of the MFF has been designed to address it;
 4. regrets that the Council has taken so long to conclude its position towards the Commission's proposal for the mid-term review and that therefore the budgetary authority could not exploit all measures put forward by the Commission in the 2017 budgetary procedure; applauds however the agreement finally reached on 5 April 2017 by the European Parliament and the Council which results in a EUR 6 009 million top-up (15 % redeployments, 85 % unallocated resources) comprising EUR 3,9 billion for migration-related measures inside the EU (EUR 2,55bn) and for tackling the root causes of migration externally (EUR 1,39bn) as well as EUR 2,1 billion for jobs and growth, among which EUR 1,2bn for the Youth Employment Initiative;
 5. welcomes the increase in funding to address the migration and refugee crisis in 2017; calls for a further increase of funds to provide a systematic and sustainable approach to migration management and border controls such as the Asylum Migration and Integration Fund (AMIF), the Internal Security Fund (ISF), the European Social Fund (ESF) and the European Regional Development Fund (ERDF); reiterates its call for facilitating more direct access of local and regional authorities to the funding available for the management of migration and integration; suggests also providing adequate funding for carrying out voluntary returns, as well as to help countries of origin in reintegrating readmitted nationals; considers that guidelines for possible synergies between existing funds for this purpose are also important;
 6. notes with concern that the Annual EU Budget for 2017 has witnessed an unprecedented sharp decrease in payment appropriations for Cohesion policy programmes and that only the Amending Budget for 2016 No 4 has prevented an even sharper decrease; underlines that it is imperative for all relevant subjects to make maximum efforts to speed up the implementation and that it is of vital importance to ensure sufficient payment appropriations in 2018, in order to prevent the creation of another backlog of payments; welcomes, in this regard, a payment forecast until 2020 put forward by the Commission within the proposal for a mid-term review of the MFF; will endeavour to identify the best practice so far in accelerating the absorption rate of Cohesion policy programmes and to inform the budgetary authority about these practices;

⁽¹⁾ Commitment appropriations for Item 06 02 01 01 'Removing bottlenecks, enhancing rail interoperability, bridging missing links and improving cross-border sections' have been increased by additional 82,28 million EUR compared to 2016.

7. reiterates the need to step up EU financial support for rural development given the importance of rural areas in Europe and calls for directly accessible financial resources for European farmers affected by disasters and various crises ⁽²⁾. In particular, stresses the importance of boosting measures designed to ensure food security, and support to farmers affected by crisis mainly in the dairy sector, but also in the meat, fruit and vegetable sectors;
8. calls for sufficient funding to be allocated to strengthening territorial cooperation policies, with a view to ensuring that these policies contribute to achieving harmonious economic, social and regional development across the whole European Union;
9. welcomes the Commission proposal for extending the EFSI until 2020 but insists that synergies with the European Structural and Investment Funds (ESIF) should be further clarified and enhanced; recalls that EFSI 2.0 is not designed to replace existing EU funds, requests that the definition of the additionality principle is clarified and that geographical balance is encouraged by stepping up the development of regional investment strategies and the use of investment platforms; reiterates its firm opposition to have the extension of EFSI be financed from the Connecting Europe Facility (CEF);
10. as stated under point 25 of the CoR's Opinion on the EU response to the demographic challenge (SEDEC-VI/008), in the Committee's view, the EU should seek to mainstream demographic considerations across all policy areas, should include budget headings that aim to enable the further development of these policies and measures, and should set up priority measures for regions that are particularly affected by the consequences of demographic change;
11. calls for an appropriate level of commitment appropriations to be ensured for Horizon 2020 in 2018, but notes with concern that many interested parties, including SMEs, are being deterred from submitting Horizon 2020 project proposals due to limited resources;
12. stresses the need for COSME appropriations to be increased to ensure that SMEs have appropriate access to finance and to boost job creation in the EU;
13. welcomes the Commission's intention to add EUR 500 million in commitment appropriations for the Youth Employment Initiative; in addition, highlights the importance of the continuous development of the Youth Guarantee as results achieved under the programme still cannot be considered to be fully satisfactory;
14. recalls that in 2018, a mid-term review of CEF and Horizon 2020 will be carried out and proposals for the next Framework Programme (FP9) will be made; this whole process being linked to the next MFF negotiations, stresses that many critical issues will have to be tackled in the discussions relating to the withdrawal of the UK from the EU;
15. highlights the huge success of the Erasmus programme in addressing the problems of young people in accessing appropriate education and training or job opportunities; calls for the European Solidarity Corps to be attributed appropriate funding. Enabling young people to acquire additional skills by means of work and volunteering benefits the public and private sectors. Therefore, underlines the importance of working with the private sector to couple public and private funds for initiatives such as the ESC ⁽³⁾;
16. stresses that the EU should extensively engage in fulfilling its environmental commitments through the implementation of concrete and credible climate policies, grounded in a coherent regulatory framework and endowed with solid financial resources; therefore, calls on the Commission to provide sufficient appropriations in its 2018 draft budget and to come forward with an interim assessment of the progress in achieving the 20 % climate spending target as part of the 2014-2020 MFF;

⁽²⁾ CoR Resolution on the Draft Annual EU Budget for 2017.

⁽³⁾ CoR Opinion COR-2017-00851

17. notes with concern that, without substantial additional efforts, the EU's 2020 biodiversity targets will not be met; stresses, therefore, the importance of mainstreaming biodiversity protection across the EU budget, of increasing funding in accordance with Article 9(4) LIFE Regulation under the current LIFE programme for Natura 2000, and of providing additional funding for new measures under the upcoming Action Plan for improved implementation of the Nature Directives until 2020; stresses in this context that the launch of the European Commission Peer-to-Peer tool under the Environment Implementation Review (EIR) will require an adequate budget allocation in 2018, which should come in addition to existing budget resources supporting the effective implementation of EU environment legislation, in line with the better regulation agenda;
18. supports the European Commission's proposal to raise up to 90 % funding rate to support, within the framework of ERDF investment priorities, measures for predicting, preventing and recovering from major natural disasters;
19. anticipates the 2017 launch of the European Commission Peer-to-Peer tool under the Environment Implementation Review (EIR) and expects sufficient appropriations to be allocated in 2018 to this tool, without prejudice to other budget lines supporting the implementation of EU environment legislation;
20. calls for European Neighbourhood Policy (ENP) financial resources on cooperation to be gradually concentrated on financing projects at subnational level, in order to adapt EU financial resources to the needs of local and regional stakeholders;
21. highlights the importance of exploiting synergies between existing funds such as: the Facility for Refugees in Turkey (EUR 3 billion), the EU Emergency Trust Fund for Africa (EUR 1,8 billion), the EU Regional Trust Fund in Response to the Syrian Crisis (EUR 1 billion) as well as other financial instruments which potentially could provide up to EUR 8 billion over 2016-2020 to deliver the compacts; further possible synergies with ESIF funds should also be examined;
22. calls the Commission to consider the possibility of bringing back the Local Administration Facility (LAF) used by the accession countries and broadening the scope of its use to the ENP countries with stricter reimbursement rules requiring more specific and more sustainable projects;
23. calls for a Community stabilisation facility to be put in place to enable — through capacity building programmes — such as the Libyan local authorities to enhance their own capacity to provide services to citizens and to create territorial development and jobs. In this context, a Trust Fund to be managed in partnership with European cities and regions could be considered as a valuable instrument, in particular using innovative legal instruments;
24. calls for financing for an 'Erasmus programme for local and regional elected representatives' aimed at increasing their ability to exchange ideas and best practices with their peers in order to promote sustainable local and regional development;
25. recalls the equal opportunities requirements for budgeting and asks for this principle to be mainstreamed in the 2018 budget;
26. highlights the need for a gender-based approach to become a clear reality in the 2018 draft EU budget, in accordance with the principles underpinning the European social model in the area of gender equality;
27. instructs the President to forward this resolution to the Commission, the European Parliament, the Council, the European Court of Auditors and the President of the European Council.

Brussels, 12 May 2017.

*The President
of the European Committee of the Regions*
Markku MARKKULA

OPINIONS

COMMITTEE OF THE REGIONS

123RD PLENARY SESSION, 11-12 MAY 2017

**Opinion of the European Committee of the Regions on the future of Cohesion Policy beyond 2020 —
'For a strong and effective European cohesion policy beyond 2020'**

(2017/C 306/03)

Rapporteur: Michael Schneider (DE/EPP), State Secretary, Representative of the Land of Saxony-Anhalt to the Federal Government

POLICY RECOMMENDATIONS

THE EUROPEAN COMMITTEE OF THE REGIONS (CoR)

Pillar of European integration

1. points out that the policy for strengthening economic, social and territorial cohesion is one of the most important and comprehensive EU policies, since it is aimed at everyone living in the EU and important aspects of their daily lives. This policy is also an essential component of the Treaties and a pillar of the European integration process and of Europe's economic growth — just like the internal market or the economic and monetary union. Cohesion policy creates a level playing-field as an essential counterpart to the internal market rules and helps to protect existing jobs and create new ones through strategic investments in the real economy, especially where the traditional market is failing. It ensures that the less developed Member States, regions and municipalities are able to benefit from the advantages offered by EU integration. As a result, cohesion policy makes a significant contribution in terms of solidarity to strengthening the EU as a whole and considerably strengthens the European added value that is tangible for each EU citizen;

2. since the outbreak of the economic crisis in 2007 the disparities among regions have increased again in a much more disproportionate way than the disparities among countries. This trend has been analysed in the 6th Cohesion Report and further confirmed by the latest figures provided by the OECD; therefore cohesion policy in all its three aspects — economic, social and territorial — remains more topical than ever. At the same time, cohesion policy also requires renewed momentum, so that the specific challenges of individual regions can be tackled more effectively by adopting a territorial approach;

3. also considers that the future cohesion policy should form part of a shift towards greater solidarity for the benefit of citizens, to reinvigorate the EU's ailing legitimacy. Mistrust, intolerance and identity-based inward-looking attitudes are eating away at our societies and must be tackled by reducing the inequalities of every kind experienced on a daily basis by ordinary Europeans. Cohesion policy is the standard bearer of the type of coordinated, multi-level action needed to fight against these inequalities and preserve decent living conditions and respect for human rights. Cohesion policy must not only be used to seize the opportunities arising due to technological developments or climate change, it must also allow local and regional authorities to create opportunities for their communities;

4. notes that in many regions of the EU the strategic implementation of the European Structural and Investment Funds (ESIFs) using a devolved bottom-up approach has made a significant contribution to positive economic, social and territorial development. Numerous surveys demonstrate the added value and the role of the ESIFs in creating jobs, sustainable growth and modern infrastructure, overcoming structural barriers, boosting human capital and improving quality of life. The regional and local authorities assisted by cohesion policy also help to achieve pan-European growth targets and to demonstrate the positive effect of European integration through their positive development and the achievement of the strategic objectives agreed in their respective ESIF programmes;

5. is convinced that the results of using the ESIFs confirm that cohesion policy is capable of responding flexibly to the Europe 2020 objectives, or new challenges, such as those currently emerging in the areas of energy security, demographics, migration and external borders or as a result of receiving refugees. At the same time, a strong and effective cohesion policy is a prerequisite for overcoming crises. In order for this to remain the case, a new development strategy must serve as a framework for the next programming period. Moreover, it must in future be ensured that cohesion policy continues to offer long-term programming certainty for regions and local and regional authorities in order to retain its strategic function as a stable investment framework, and that, at the same time, it incorporates the possibility of modifying operational programmes to better suit economic, social and environmental developments. It is also important that cohesion policy has adequate funding at its disposal. That means that, even after the United Kingdom leaves the European Union, the percentage share of the budget allocated to cohesion policy in the next multiannual financial framework should remain the same;

6. stresses that, in order to strengthen the planning certainty of cohesion policy beyond 2020, it is also important to have a strategic approach that can serve as a reference point for sustainable progress in achieving economic, social and territorial cohesion and also, if this appears necessary, takes account of the international context (such as, e.g. the United Nations Sustainable Development Goals and the UN Habitat III agreement) and the needs of regional and local authorities in order to ensure a territorial approach;

7. is convinced that the future of cohesion policy is inextricably linked to the future of the EU as a whole. A strong and effective European cohesion policy and effective communication of its results to EU citizens are vital for a strong and effective European Union. Cohesion policy has a concrete and tangible impact on citizens' quality of life, as demonstrated by the hundreds of thousands of successful ESI Fund projects implemented all over Europe, including by meeting the specific needs of regions and municipalities and contributing to cushioning the crisis' impact. The CoR is therefore also strongly in favour of securing the important role of cohesion policy in the EU beyond 2020 and encourages the development of a strong alliance of all relevant actors at EU, national, regional and local level to achieve this objective;

8. believes that the upcoming reform of cohesion policy hinges on striking a balance between continuity and the need for renewal. Building on the experience of previous funding periods, it is necessary to determine the strengths and weaknesses of current cohesion policy and to identify ways to increase its effectiveness. Fulfilling the Treaty obligations and focusing on the long-term strategic objectives of smart, inclusive and sustainable growth are both of key importance in this connection. The flexible implementation of cohesion policy in local and regional authorities is designed to increase their effectiveness and proximity to local people and raise the profile of the EU at local level. It is through flexible implementation in local and regional authorities that cohesion policy must continue its role as one of the most visible of the EU's policies. The report of Fabrizio Barca on 'An Agenda for a Reformed Cohesion Policy' on the territorial approach remains still valid;

9. sees the special importance of cohesion policy as being the fact that it combines strategic targets for addressing the challenges at the European and global levels with long-term development strategies at regional and local level within the Member States and their implementation on the ground. As such, cohesion policy — unlike national structural policies — is the expression of genuine European solidarity and provides for the harmonious territorial development of the EU as a whole;

10. is of the opinion that the essential roles and fundamental objectives of cohesion policy set out in the European Treaties and the description of the European structural and investment funds given there retain their relevance, enable the continued fulfilment of cohesion policy-related tasks in the future and secure improved legal consistency and coordination of substance for the achievement of synergies, avoidance of gaps, overlaps and inconsistencies and the harmonious development of all urban and rural areas; the integrating role of the common framework regulation must be improved to serve this purpose (see point 71);

11. is of the opinion that rural development under the CAP must be better aligned with the ESIF to ensure a balanced treatment of territorial dimensions to the benefit of the public and at the same time take into account the interactions between the various areas;

Planning certainty through a long-term strategic approach

12. takes the view that cohesion policy is not limited to redressing regional disparities and underdevelopment, although this will remain a priority task in line with Article 174 TFEU (reducing disparities between the levels of development of the various regions and the backwardness of the least favoured regions). Instead, it must also be a strategy for promoting innovation, competitiveness and sustainable growth in the less-developed regions, the transition regions and the stronger regions of Europe. Through comprehensive investments in the economic and social future of the regional and local level, it is supposed in future also to contribute to employment, productivity, sustainability and social cohesion in the EU. The priorities pursued under the Europe 2020 strategy contribute to the thematic concentration in the current funding period and help increase cohesion policy's focus on results. It is important that a European framework exists. Using the ESIFs effectively in the future will continue to require a strategic approach that guarantees the planning certainty of cohesion policy and serves as a framework for ESIF programming to the benefit of local and regional authorities. For this reason, the programming period for cohesion policy should continue to be seven years if this corresponds to the period of the next Multiannual Financial Framework;

13. points out, however, that the strategic approach at EU level must not be too rigid or lead to a one-sided focus on European objectives that do not address the real challenges on the ground in each and every territory. Rather, cohesion policy must in future also be able to offer integrated, flexible and differentiated solutions on the ground at regional and local level, cutting across individual policy areas and issues, not least in order to be able to react to new challenges. Like all EU policies, cohesion policy must contribute to key EU objectives as mandated by the Treaties. Conversely, other EU policies must also make a contribution to achieving cohesion policy Treaty objectives set out in the Treaties. To this end, a dialogue of cooperation on how the planned approaches can be combined should be held between authorities responsible for implementing regional policy and the sectoral policies (with particular regard to synergies with sectoral EU programmes such as Horizon 2020 and COSME) in good time prior to the start of a new funding period in order to strengthen the territorial approach in line with multilevel governance;

14. calls for the development of a new Common Strategic Framework covering all EU policies and funds having a territorial dimension. This mostly concerns the ESI funds but also the successors of Connecting Europe Facility, LIFE and Horizon 2020, as well as loan instruments, notably EFSI and the EIB lending policies. This Framework should ensure strategic consistency of aims and investments as to avoid duplication and lack of coordination of these interventions at both EU and national level;

15. is of the opinion that the right balance between cohesion policy's various goals, targets and tools must ultimately be located within the framework of a genuine three-way partnership, in which the Commission, the Member States and regions and local authorities come together in search of the best solutions based on shared management. The room for manoeuvre for regional and local authorities set out in the regulations must be used in the best possible way and must not be restricted during the approval process. Furthermore, the relationship between the managing authorities and the Commission needs to be designed in such a way as to create a genuine contract of confidence between the two parties. The CoR calls for the Commission to take a more active role in the shared management; it must become a fully-fledged partner in the implementation of cohesion policy and not confine its role to merely monitoring the managing authorities;

16. calls for the programming process to develop into a partnership between the Commission, the Member States, the regional and local authorities which act as operational programme managing authorities in line with the principle of subsidiarity. This requires a right to a say for competent levels of public administration in the negotiations on funding objectives and priorities. The elements contained with the Code of Conduct on Partnership should thus form a legally binding part of the future regulations, and be included within those regulations rather than as a separate 'code of conduct' which leads to questions over its legal status;

Contribution to economic policy coordination

17. recognises that the stabilising effects of cohesion policy are of great strategic importance, particularly for supporting key efforts to invest in sustainable growth, employment and innovation, which affect all Member States;

18. therefore believes, as a matter of principle, that EU funds, in addition to tackling important pan-European challenges such as, currently, migration, should, in order to improve structural effectiveness, be targeted towards implementing the objectives of the long-term policy strategies agreed in partnership with the Member States and regions and local government. However, the CoR reiterates that the annual process of issuing country-specific recommendations to the Member States under the European semester has not complied with the medium and long-term programming approach required by the ESIFs. What is more, in many cases the country-specific recommendations are not objectively linked to ESIF programmes;

19. is convinced, therefore, that the inclusion of cohesion policy in national reform programmes must, starting from the European level, be redesigned in such a way that maintains the territorial dimension and the partnership-based, decentralised approach. A starting point could be an annual 'structural dialogue on the state of cohesion in Europe' to be integrated into the European semester. The involvement of local and regional authorities and social partners must be ensured, as must flexibility when implementing the ESIFs on the ground. This also applies to deadlines, the chosen voting procedures and legal certainty for approved plans and programmes. The CoR reiterates its firm opposition to the negative idea of macroeconomic conditionality which — as a result of the link between the ESIFs and economic governance — involves 'taking cities and regions hostage' because of failings of national governments. Cohesion policy must not be subject to conditionalities that cannot be influenced by local and regional authorities and other beneficiaries;

20. asks the Commission to report on the inclusion of cohesion policy under economic governance, as there is currently insufficient evidence as to whether and to what extent the operational programmes are being successfully coordinated with national reform programmes;

Flexibility for future challenges

21. is convinced that decisions on the future of the EU, the deepening of the economic and monetary union, economic governance, the financing of the EU and other issues will affect future cohesion policy just as much as the ongoing discussions on issues such as subsidiarity, better regulation, value for money and impact assessment. There are also challenges relating to dealing with crises, globalisation, migration, demographic developments and changes in the economy, employment and education, for instance due to the ongoing process of digitalisation;

22. calls therefore for cohesion policy to become more flexible in the next funding period, without impacting on the strategic focus and planning certainty of multi-annual programmes for regional and local authorities. It is also supposed to be possible, for managing authorities that so wish, to respond flexibly to crises and unforeseen events in the short term, without abandoning the strategic focus;

23. stresses that greater flexibility in the EU's multi-annual financial framework must not lead to funds being redeployed or to new initiatives being financed at the expense of programmes that have already been approved. The Committee rejects the use of cohesion funds to cover short-term financing needs outside the area of cohesion policy in particular with regard to security, combating terrorism, managing migration, border control, etc.;

24. is of the view that in order to increase cohesion policy's flexibility and its capacity to react it will be crucial for an effective step forward to be taken with a view to effectively simplifying procedures for managing, monitoring, evaluating, verifying and controlling the Structural Funds, avoiding the excessive regulation imposed on them. Accordingly, there is a need for simplified procedures for amending operational programmes, schemes (ITI etc.) and instruments. This requires a relationship based on partnership and trust between those responsible for the programmes, schemes or instruments at the various levels. Future plans and programmes are also supposed to include a reserve fund dedicated to pilot or experimental measures and unforeseen tasks, with decisions about how it will be used to be made during the funding period, provided they are for meeting cohesion policy requirements;

25. asks the Commission to propose a simplified revision procedure for plans and programmes for the next funding period that makes it easier to respond to crises in a flexible, target-oriented way and in particular that facilitates and speeds up coordination within the Commission;

26. considers it essential to guarantee the functioning of multi-level governance and the bottom-up approach through shared management even in the context of new challenges and unforeseen developments and in full compliance with the subsidiarity principle, and to counteract shifts towards centralisation, in order to be able to develop efficient and appropriate solutions on the ground;

Effectiveness and efficiency for results-oriented implementation

27. points out that for a long time cohesion policy has been one of the most accurately measured and best analysed EU policies. The Commission's regular reports set out very clearly the achievements of cohesion policy. The Committee points to the many regions which, thanks to ESIF funding, are overcoming their individual underdevelopment, have managed to catch up with the EU average and been withdrawn from the highest funding category due to their positive development. The fact that cohesion policy is successfully meeting its objectives was also confirmed by the ex-post evaluation of the ERDF and Cohesion Fund in the period 2007-2013;

28. is of the opinion that the basic structure of cohesion policy with its three categories (most developed regions, transition regions and less developed regions) is tried and tested and should therefore be retained. It is precise and at the same time flexible enough to allow for new challenges, priorities, tools and indicators. The classification of regions into categories corresponds to cohesion policy's mandate to combine support for least-developed and troubled areas with an offering to all regions, in order to promote the harmonious development of the EU as a whole;

29. therefore reiterates its opinion that the least developed and most disadvantaged regions and the outermost regions continue to require higher levels of funding in order to eliminate their structural and economic development deficits in the medium to long term. The focus will continue to be on using the ESIFs. At the same time, there is a need to provide appropriate arrangements in the transition category for regions no longer eligible for maximum funding, so as not to jeopardise the achievements made. A solution should be looked for which would prevent a dramatic change in the scale of cohesion policy interventions for the regions that slightly pass the threshold for the transition category. The role of more developed regions as economic hubs in regional development must be strengthened and further promoted, so that these regions can also continue to exploit the opportunities available to them and compete globally. The overall model should thus be one which supports a balanced relationship based on cohesion, convergence and competitiveness;

30. draws attention, with reference to its own opinions and the Commission's work on the subject 'Beyond GDP', to the need to plan and implement cohesion policy based on reliable, comparable and robust statistics. Regional gross domestic product, measured in purchasing power parities in relation to the EU average, has proven its worth as the main indicator for classifying regions and should be retained. The CoR has therefore stressed the need for including GDP-complementing measures in the setting up of the new generation of European Structural and Investment Funds in the next multiannual financial period. Here, more account should be taken in cohesion policy beyond 2020, on the basis of additional harmonised and consistent criteria, of the demographic challenges at regional and local levels and further special challenges (e.g. social, environmental, geographical and natural), as stipulated in the Treaty on the Functioning of the EU;

31. points out that purely statistical effects, such as those which would arise from the United Kingdom leaving the EU, should not lead to any EU27 region losing its classification as a less-developed or transition region, as the socio-economic situation in these regions remains unchanged in reality. The European Commission should therefore include robust statistical effect or 'safety net' proposals in its regulations governing ESIF post 2020;

32. draws the attention that often the regional eligibility at NUTS II level does in some countries hide socio-territorial, intra-regional and even supra-regional inequalities. It is necessary that EU maps do have the appropriate scale that reflects the problems on the ground so that they help targeting support to these areas;

33. calls on the UK and the EU to agree that UK regions and local authorities be allowed to continue to participate in European Territorial Cooperation and other EU-wide programmes in a similar way that non-EU Member States such as Norway or Iceland do;

34. insists on the need for thematic concentration to ensure European added value and real impact on the ground. However, the specific choice of thematic objectives need not be uniform across the EU to ensure that they are relevant and tackle the real challenges on the ground in each and every territory and the needs of cross-border cooperation;

35. insists on the 'place-based' approach as the basis of ESI Funds. EU policy and interventions should focus on the problems on the ground regardless of whether an area is urban, rural or has any other geographical feature, or is a region, such as the outermost ones, whose structural social and economic situation warrants adoption of specific measures under the terms of the TFEU;

36. recalls that one key barrier for the success of ESI programmes in many local and regional authorities is the lack of sufficient capacity and robust governance. For that reason the CoR calls for a new approach to capacity-building for all ESI funds that is available to any individual authority that will be entrusted with the management or delivery of ESI Funds. This will ensure that there is sound financial management, that public procurement, state aid rules are properly applied and will also facilitate knowledge transfer between managing and delivery bodies;

37. recognises that in future too the effectiveness and efficiency of using the ESIFs must also be increased. The CoR is in favour of maintaining the thematic concentration. The thematic objectives to be decided upon for cohesion policy beyond 2020 should not preclude financial support for infrastructure within the priority areas where necessary and are supposed to reflect the required flexibility, particularly new challenges, the strengthening of the territorial dimension of cohesion and multi-level governance when designing programmes. This should help make decisions regarding project eligibility comprehensible to members of the public;

38. calls for the effectiveness of the ESIFs to be measured in a way that gives precedence to the criteria agreed on in the funds' regulations and applicable throughout the Union. In order to prepare and implement plans and programmes, a clear set of economic, social and environmental indicators and selected ex-ante conditionalities should be developed well before the start of the new funding period together with those responsible for using the ESIFs. These should be able to adequately demonstrate progress in cohesion policy and the achievements made in implementing the programmes so as to guide the new programming choices on the basis of the 'lessons learned' in the preceding cycle. Not only national but also the various local and regional conditions must be taken into consideration in this process; the Committee refers in this context to the Commission's current report (SWD(2017) 127 final), according to which 86 % of the ex-ante conditionalities have been fulfilled and have brought considerable added value to the implementation of necessary reforms and have improved the use of funding;

39. recommends developing operational programmes based on indicators and following the outcome of the negotiation process. As a priority, these should be similar in nature to strategic documents. The Commission should in future support the implementation of these programmes through a strategic, partnership-based dialogue with the regional and local authorities, with the accent on setting binding targets and related indicators and allowing the regional and local authorities to choose and implement the most suitable measures in line with the principle of multilevel governance;

40. welcomes the 'lagging regions' initiative launched by the European Commission aimed at bringing these regions up to speed by providing assistance in overcoming obstacles and unlocking their growth potential; encourages such initiatives to be considered in the new programming period;

European added value as a criterion for using EU funds

41. recognises that European added value is without doubt one of the key criteria for the successful use of EU funds and thus also for the success of cohesion policy. However, as yet there is no uniform definition for this. It would therefore be beneficial if the specific criteria against which the European added value of cohesion policy is to be measured were to be discussed and approved together with the funds' regulations;

42. in order to reduce bureaucracy, urges the Commission to relieve managing authorities of responsibility for checking the ex-ante conditionalities, to give greater weight to subsidiarity and proportionality, and also to develop a more results-focused approach;

43. argues, therefore, for the development of an agreed approach for measuring the European value added of cohesion policy and points to its study on ‘The EU Added Value Test to Justify EU Spending: What Impact for Regions and Local Authorities?’⁽¹⁾. Key criteria could be the stimuli attainable through the use of EU funds for achieving the cohesion objectives mandated by the Treaties, for sustainable growth, employment and social cohesion, as well as their contribution to addressing common challenges. It should also be taken into consideration that the local and regional approach is more effective in pre-defined areas and provides added value through its decentralised approach, compared to sectoral or central funding and financing tools;

44. suggests, in this context, that this concept take the strengthening of cohesion policy as its starting point. The CoR understands these to include the overcoming of socio-economic disparities; the counter-cyclical effect for stabilising and stimulating growth and tackling crises through public investment; the important role in achieving common EU objectives; the results-oriented incentives and mechanisms; the positive impact on the quality of administrative capacities on the ground; the European and cross-border dimension; and its implementation through multi-level governance and the bottom-up approach;

45. points out that the territorial dimension of cohesion policy facilitates the implementation of measures that, in line with the subsidiarity principle, cannot be adequately achieved by the Member States, regions and local authorities alone, such as cross-border, transnational and interregional cooperation;

46. notes that the increasing complexity of the regulatory requirements imposes a major burden on stakeholders, including project promoters. The CoR recommends that cohesion policy management should focus on performance and results. It also has reservations concerning the usefulness of the performance reserve, as the procedures for implementing it do not take account of long-term results and impact;

47. reiterates, in this context, its view that it is by using cohesion policy tools that less developed Member States and regions are able to unlock the European added value of integration, at the same time equipping the stronger ones to respond to global challenges in an optimum manner. Through cohesion policy local and regional authorities become more closely linked to the European project, and cohesion policy gives the EU legitimacy at local and regional level;

48. calls, therefore, for substantially increasing the visibility of cohesion policy measures through appropriate communication actions, as they are one of the indisputable advantages of EU integration for people at local level. Regions and towns can also make a great contribution to this. Economic, social, spatial, environmental, cultural and political achievements of cohesion policy need to be highlighted and its potential to overcome the EU identity crisis should be used since there is strong evidence on the long-term results and added value of this policy;

Territorial dimension and multi-level governance to strengthen the role of local and regional authorities

49. points to the fact that, through its local and regional approach, cohesion policy supports European regions and municipalities with future-oriented investments to strengthen competitiveness, employment and lifelong learning, as well as with networking, interregional cooperation and the exchange of experience across Europe. It is the only EU policy with a regional focus based on multi-level governance. The territorial dimension of cohesion policy and the role of regional authorities in managing it must therefore be further strengthened;

50. takes the view that strengthening cohesion at the regional and local level — including across borders — requires a wider range of options for developing appropriate solutions on the ground. Cohesion policy must include a flexible range from which the intended beneficiaries can choose the most effective solutions for their region or municipality under European rules;

⁽¹⁾ <http://cor.europa.eu/en/documentation/studies/Documents/eu-added-value-test-to-justify-eu-spending.pdf>.

51. insists on the need to continue and simplify the promotion of cross-border, transnational and interregional cooperation as part of the objective of European Territorial Cooperation, including the promotion of the existing and future macro-regional and maritime strategies, islands, maritime border regions and the outermost regions. The European added value is particularly visible here. It is a result of the direct achievement of integration policy objectives and the promotion of good neighbourly cooperation. Joint efforts between partners from different Member States, the possibility of knowledge exchange across the EU and the shared development of new solutions to optimise public administration and private sector development are important elements of EU integration. Given its visible European added value, support for territorial cooperation should be strengthened within the appropriate budget;

52. draws attention to the important role of smart specialisation in strengthening regional innovation systems, for knowledge exchange between regions and for boosting synergies, particularly with European research funding, and also refers to its opinion on Smart Specialisation Strategies (RIS3): impact for regions and inter-regional cooperation (SEDEC-VI/021);

53. recognises the need to step up support for cooperation at the external borders of the European Union in the form of interaction between the territorial dimension of cohesion policy and the EU's neighbourhood policy. Cooperation along the EU's external borders should be funded by the neighbourhood policy in accordance with the cohesion policy's rules;

54. believes, in this respect, that macro-regional and maritime strategies for the participating regions and those who live there constitute significant added value, provided that the existing and future funding tools can be used for the strategies in a coordinated way, and therefore calls on the European institutions to ensure that the objectives of macro-regional strategies are coordinated with the future cohesion policy funding tools and other EU funding tools (CEF, Horizon 2020, EFSI);

55. recommends that key challenges for local authorities (e.g. environmental protection, social inclusion, migration, digital transformation, sustainable transport, climate change and regeneration) continue to be specifically addressed under cohesion policy and that cohesion policy be the main European tool for stimulating cooperation to promote growth, a liveable environment and innovation in Europe's municipalities, for creating the necessary conditions such as in the area of broadband infrastructure or the circular economy, and for making the best use of municipalities' growth potential. Provision should be made for the widest possible range of funding options for sustainable local development, from which the best packages of measures can be developed locally. Alongside cities, these challenges affect all local authorities in different ways. Integrated concepts (e.g. CLLD, ITI) should therefore also be able to be used in the future to develop tailored solutions. However, this requires sufficient space to be created in the programming process for them to have their own, flexible configuration;

56. with a view to harmonious territorial development, calls for the role of metropolitan regions and cities to be strengthened, which face many concrete problems, for example in the areas of quality of the environment, urban sprawl, social exclusion, transport and housing. In order to help improve rural-urban links, it must also be possible to include smaller towns and rural municipalities. Furthermore, the relevant rules must be radically simplified. As stated in its opinion on the EU Urban Agenda (COTER-VI/010), the CoR points out that EU policies must not encourage a competitive relationship between urban, coastal and rural dimensions. It is important to insist on a holistic territorial vision of urban and rural areas as complementary functional spaces. In connection with community-led local development financed using various European funds, there must be better integration between the different funds;

57. calls for the new tools for strengthening the bottom-up approach and multilevel governance, such as Community-led Local Development (CLLD) and Integrated Territorial Investment (ITI), to be stepped up and simplified, with the aim of further boosting integration at local and regional level with a view to ensuring an integrated and holistic approach to regional development. Achieving this objective requires a corresponding shift in decision-making authority as well as the broad involvement of all relevant parties on the ground;

58. recommends supporting the development of rural areas and promoting comprehensive policies to boost these areas by improving connectivity in terms of both transport and digital broadband, balanced with environmental protection, as stated in the Cork 2.0 Declaration. Repeats its call, made in its opinion on Innovation and modernisation of the rural economy (NAT-VI/004), for a white paper on the countryside to be drawn up addressing the challenges facing rural areas and promoting their potential, with the aim of safeguarding the rich cultural, architectural, natural, social, culinary and economic heritage that their inhabitants preserve for the enjoyment of European society as a whole;

59. calls for specific treatment for outermost regions to be envisaged as part of post-2020 cohesion policy, taking into account these regions' particular constraints, unique in Europe. It would draw attention to the fact that the TFEU recognises these constraints in Article 349 and makes express provision for the adoption of specific measures to help these regions, particularly in respect of the conditions of access to structural funds;

60. also recognises that balanced territorial development must provide adequate support for rural and peri-urban areas in the hinterland, as well as disadvantaged areas (e.g. mountainous, border areas or other areas with natural or demographic disadvantages), in order to secure the necessary investments in growth, jobs, social inclusion and environmental sustainability. The regions affected should play a role in designing territorial instruments, which set the prerequisites for efficient multi-sector undertakings leading to a stronger integration of urban and rural functional areas into regional economies;

61. in view of the requirements and demands of depopulated areas for greater visibility, a European-level forum should be set up, that could meet yearly, allowing them not only to follow up on the implementation of specific policies in these areas, but also to formulate proposals and exchange best practices between themselves. This would serve not only to lend them greater visibility, but would also break the isolation they experience and ensure that their voices are heard directly in the European institutions. Any such forum should recognise the specific characteristics of each region and guarantee fair representation;

62. is of the view that future cohesion policy must also be the main instrument for securing sustainable development of areas which suffer from severe and permanent natural or demographic handicaps, such as the northernmost regions with very low population density and island, cross-border and mountain regions, through specific measures on the basis of an integrated territorial approach, to offset the cost differentials connected with the difficult conditions for human settlements and businesses. By guaranteeing the availability of essential services and high quality infrastructure, this would also combat the trend towards depopulation. Particular attention must be paid to strengthening agriculture, an activity that is pivotal to sustaining other economic activities in mountainous regions and safeguarding areas facing hydrogeological risks, something that will also benefit lowland areas;

63. calls for more precise measures to strengthen the local and regional accountability and visibility of ESI funds on the ground including ensuring democratic scrutiny, at the applicable level, of regional or national ESI programmes;

Sufficient funding for effective policies

64. recognises that in the long term there will be a greater need for Union funds at EU level in order to boost investment. The funding available for this purpose will in future continue to find itself caught up in the tensions surrounding national budget consolidation and the willingness of the Member States to finance EU tasks. It will be important for cohesion policy to fulfil its task of strengthening economic, social and territorial cohesion in such a way that it makes a convincing contribution to strengthening European regions and the EU as a whole, and that the funds are used effectively. In this respect, it is absolutely essential that sufficient resources are allocated to cohesion policy and that they are allocated via an approach that takes into account the specific requirements of regions and municipalities. In addition, the CoR draws attention to the negative impact of Brexit on the EU's budget. In order to best safeguard the European budget, and particularly the budget for cohesion policy, the Committee reiterates its call for the United Kingdom to meet all its legal obligations under the current medium-term financial framework. It points in this connection to its resolution of 22 March 2017 (RESOL VI/022) and urges the Commission to further develop the proposals made by the High Level Group on own resources in the report on the future financing of the EU;

65. points out that the ESIFs are not comparable with centrally managed initiatives such as the EFSI. While the EFSI generates investments at European and national level in the form of individual projects, without any territorial component, the use of ESIFs in connection with the regional innovation strategies provides for the sustainable strengthening of economic, social and territorial cohesion within regional and local authorities, ensuring the balanced and harmonious development of the EU as a whole. This specific feature of the ESIFs should be further strengthened through a strategic, synergy-boosting approach that creates clear incentives for efficiency and impact by means of an adequate monitoring and evaluation system and targeted selection methods. Both tools — the ESIFs and EFSI — are mutually complementary and must not conflict with each other; the latter cannot replace the former either;

66. also refers in this connection to its opinion on EFSI 2.0 of 7/8 December 2016 (COTER-VI/019);

67. is of the opinion that financial tools are useful and may constitute an alternative or complement to grants and can help to increase the effectiveness of cohesion policy due to their leverage effect. However, this must not lead to a phasing out of ESIF grant funding in favour of loans. Given the high administration costs associated with them, financial tools should only be used where it is deemed to be useful on the ground. In the case of public bodies and especially regions, cities and municipalities, resorting to the increased use of financial instruments must not threaten their financial stability. The CoR therefore rejects any obligation to further increase the share of financial tools in the next funding period. The provisions concerning the use of the ESIFs in the financial tools are exacting and complex, and indicative of difficulties in the implementation of financial tools. The relevant rules on how they are implemented compared to the 2014-2020 period, should therefore be radically simplified. The CoR also believes that the synergies between grants and financial tools should be made more attractive and that the operating conditions of financial instruments should be aligned as far as possible with market economy conditions;

68. advocates strengthening mutual synergies between cohesion policy and other funding tools and programmes through common strategic objectives and assessment criteria. Without watering down the various objectives of the tools, it would be possible to better coordinate the procedures and requirements for management and control systems, in order to optimise transparency and access to the various funding opportunities. This should also be taken into account when revising the EU Financial Regulation, so that, for instance, the evaluation of research projects under Horizon 2020 will give more points to those that involve a European partnership and use Structural Fund resources to secure better integration between the various European programmes;

69. also refers, with respect to the proposals for a revision of the EU Financial Regulation, to its opinion on Financial rules applicable to the general budget of the Union of 11/12 May 2017 (COTER VI/20);

Subsidiarity and proportionality for simplifying administration and reducing bureaucracy

70. is concerned that cohesion policy is jeopardising the achievement of its own objectives in that the complexity of the management and control system is no longer proportionate to the added value of planning. As a result, there is a danger that cohesion policy will no longer be perceived by beneficiaries and the public as being a key to success but rather as yet another symbol of the EU's alleged remoteness from ordinary people. It is in everyone's interest to avoid this. Unnecessary bureaucratic/administrative burdens associated with programming, management, control and implementation must be radically reduced, both for regional and local authorities as well as for final beneficiaries;

71. is in favour of any future reform process including a focus on removing administrative barriers, both in terms of the design of the general cohesion policy rules as well as for implementing and carrying out individual programmes and projects. It is particularly worth pointing out that all the Commission directorates-general and services involved should contribute to simplifying cohesion policy. In doing so, the principle of subsidiarity shall be applied more consistently than has previously been the case. Important aspects in this respect include the timely presentation of the new legal framework prior to the start of the new funding period, by mid-2019 at the latest, moves to no longer apply new standards retroactively, the development of stable and established legal practice, a focus on essential, accurate and reliable rules while at the same time drawing on national standards wherever possible. This should counter the difficulties faced by managing authorities at the start of each programming period, in the interests of greater consistency and better continuity and so as to prevent late payments. In order to increase transparency and reduce the complexity of the legislation, under the various EU

funds the same rules should apply to similar situations and, as far as possible, there should be a common set of provisions. The countless downstream acts and guidelines should be reduced. In the interests of legal certainty, approvals must remain valid throughout the entire period;

72. points out that the administrative requirements for cooperation projects in connection with European territorial cooperation need to be reduced significantly, in order to encourage cooperation instead of discouraging it. This will require a separate Regulation in future too. However, it will need to be based much more on trust and partnership between the Commission and the regions, and less on monitoring and error prevention. In addition, the multilateral nature of ETC means that ex ante conditionalities should be avoided. It should also be borne in mind, when developing specific criteria for measuring the European added value of cohesion policy, that, thanks to the close cooperation it involves, ETC already contributes in itself to cohesion between EU Member States and between the Member States and regions outside the European Union;

73. calls on the European Commission to propose a comprehensive territorial impact assessment of future proposals for the design of cohesion policy, which also includes measuring administrative burdens and offers its cooperation in this area on the basis of point 23 of the Protocol on Cooperation between the European Commission and the Committee of the Regions;

74. also draws attention to the fact that the implementation of cohesion policy is heavily overregulated due to the intertwining of European and national legal systems, and that the limit of what can be considered a reasonable control and administrative burden for implementing the operational programmes has already been exceeded. As a result, the balance between, on the one hand, the positive effects of the ESIFs and, on the other hand, the costs of implementation is constantly decreasing;

75. therefore considers that a comprehensive review of the requirements for ESIF management and control systems is urgently needed. There is also a need for greater legal certainty and clarity and the prevention of goldplating when implementing the ESIFs. In this regard, the CoR welcomes any initiative to simplify funding, as well as the High Level Group of independent experts on simplification, which has been convened in this context. For example, the CoR suggests reducing the requirement for monitoring, reporting and evaluation. It is also necessary to develop a relationship of trust between the Commission and the managing authorities, in order to better adapt the checks and give managing authorities and project promoters greater security. To this end, it is essential to introduce a principle of differentiation in common management, to distinguish between fraud and unintentional errors, and to increase the acceptable error rate to 5 %;

76. points out that coherent application of the subsidiarity principle requires not only reduced administrative burdens and less complex legislation, but also support for local and regional authorities geared towards building up their administrative and programme management capacity and implementing related initiatives and projects;

77. also points out, however, that previous attempts to identify and consistently address the causes of complexity and excessive administrative and control costs have in some cases actually brought about additional complications for administrations and beneficiaries. Calls for greater legal certainty have often lead to additional implementing rules, measures and guidelines being adopted by the Commission and the Member States and thereby ultimately made implementing the programme even more complex. The likelihood of errors and error rates have in turn increased;

78. therefore suggests exploring whether it would be possible to fundamentally change how the programme is planned and implemented. In future, Member States and managing authorities should be allowed to choose to conduct the administrative implementation of their programmes based either purely on European or national law. These corresponding rules should be included in the EU Financial Regulation. This would eliminate the commingling of national and European rules;

79. calls, furthermore, for a consistent approach in future to coordinating control and audit procedures, in order to avoid multiple checks and duplicate controls asking beneficiaries for the same information more than once, prevent conflicting assessments between audit authorities and reduce costs. Checks by the EU institutions should be limited to the achievement of objectives and the fight against fraud and corruption;

80. advocates, in view of the future state aid scheme, explaining that the ESIFs conform with state aid rules by definition, extending the non-applicability of Articles 107 et seq. of the Treaty recognised in the EAFRD and the EMFF to all funds or, failing that, greatly simplifying the application of state aid rules to the use of ESIFs, for example by introducing state aid compatibility, linked to simple criteria (e.g. conformity with approved operational programmes), for ESIF funding. The unequal treatment of directly managed EU funds such as the EFSI, the Connecting Europe Facility and Horizon 2020, and the ESIF in the area of state aid, is unjustified, increases the administrative burden and impedes synergies between these tools, while also generating legal uncertainty over the absence of uniform criteria with regard to key topics such as the incentive effect;

81. considers that legislative encouragement of and incentives for joint programming involving more than one managing authority are needed in order to facilitate macro-regional and trans-European initiatives, including macro-regional maritime areas;

82. also calls for the Commission to consider simplifying public procurement using financing from the EU budget. Such a measure would facilitate end users' access to public procurement, while simplifying the procurement process and case-law;

83. calls, with regard to programming requirements, for ESIF implementation and control to be carried out in future according to the differentiation principle, as fundamentally different conditions also require different structures for implementation. In particular, the volume of the programme, the risk profile, the quality of the administration, the share of public expenditure and the level of own financing could be key criteria that should be taken into account in the discussions on the proportionate and differentiated design of management and control systems beyond 2020. This also applies in particular to territorial cooperation;

84. on simplifying administrative procedures and implementation, also refers to the opinion on Simplification of ESIF from the perspective of local and regional authorities of 10/12 October 2016 (COTER VI/012).

Brussels, 11 May 2017.

The President
of the European Committee of the Regions
Markku MARKKULA

Opinion of the European Committee of the Regions — on Investing in Europe's youth and the European Solidarity Corps

(2017/C 306/04)

Rapporteur: Paweł Grzybowski (PL/ECR), Mayor of Rypin

Reference documents: Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions — 'Investing in Europe's youth'

COM(2016) 940 final

Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions — 'A European Solidarity Corps'

COM(2016) 942 final

POLICY RECOMMENDATIONS

THE EUROPEAN COMMITTEE OF THE REGIONS (CoR)

1. underlines that despite efforts to reduce youth unemployment, this problem continues to not only represent a major socioeconomic challenge but also undermine fairness, equality and solidarity, which underpin the European project;
2. welcomes the efforts made by the European Commission, which arise out of the concern expressed by the President of the European Commission about the difficult situation currently being experienced by many young people hard hit by the crisis, and which are taking shape in the form of the 'Investing in Europe's youth' and 'European Solidarity Corps' initiatives;
3. emphasises the importance of the involvement of local and regional authorities, as well as other actors, including the private sector and third-sector bodies, for the delivery of measures to ensure young people's integration into the labour market;
4. calls on the institutions of the European Union to cooperate with the private sector and third-sector bodies, and also calls for programmes that aim to improve the fit between labour market needs and employees' skills to be developed with the participation of the private sector and the third sector;
5. emphasises that youth unemployment has ramifications at local, national and EU levels and underlines that education, professional training and youth matters are within the competence of the Member States and that the European Union, in accordance with Article 6 TFEU, must support, coordinate and supplement national measures given that boosting employment is a matter of common interest. Thus, the success of relevant EU measures, which must comply with the principles of subsidiarity and proportionality, depends on the cooperation with local and regional authorities;

Investing in Europe's youth

6. reiterates that ensuring equal opportunities, promoting social inclusion and improving the competitiveness of young people on the labour market, while fostering youth participation and ownership of their educational and career path, the strengthening of youth work, non-discrimination and intercultural understanding, should remain the key objectives of the EU's youth policy; points out, in this regard, that access to transportation facilities and access to information are also important factors in enabling equality of opportunities and this needs to be taken into account;
7. is in favour of an integrated incentive for active partnership at all government and local and regional authority levels that are responsible for working with young people and youth organisations;

8. is also convinced that measures are needed to ensure a better start for young people in their working life, by investing in their technical knowledge and behavioural skills, and professional and social interaction, skills and experience as well as helping them to enter the labour market, by creating their own work or by recruiting them to jobs matching their profile or investing in a model which fosters opportunities to retrain, opening the door to new work opportunities;

9. proposes that one specific measure should be to develop and support workshops for young people, where they would get to experience different kinds of profession and thus potentially find a new area of work that interests them;

10. is of the opinion that various forms of investment in young people — in both formal and non-formal training — lay the groundwork for a fair, open, inclusive and well-functioning democratic society characterised with social mobility, intercultural integration, and sustainable development and growth; is also convinced of the importance of creating opportunities for our youth that would enable them to have due access to the common goods created by the EU as well as enabling them to contribute more actively to solidarity projects and to shaping Europe's future;

11. although the situation of young people on the labour market has markedly improved in many Member States in recent years, the 4 million young unemployed are cause for deep concern, with marked divergences not only amongst Member States but also within the same State; notes that, despite measures and projects undertaken at European and national level in recent years aimed at improving the labour market integration of young people and increasing their employment rate, continued Member States and EU actions are required;

12. it is particularly troubling that very many young people's education does not correspond to the challenges of the contemporary labour market and that there is insufficient support for developing entrepreneurial projects, innovation and research, as changes made to Member States' education systems are not keeping up with dynamic economic and social developments. Many young people therefore enter the labour market unprepared to meet social and personal expectations;

13. it is extremely worrying that research has shown that more than half of young people in Europe consider themselves to be excluded from social, economic and political life, while at the same time expressing a strong desire to participate in these areas in their countries; the Committee would also point out that, in parallel with this, young people are showing an increasing degree of passivity with regard to social problems, the economic situation and politics;

14. welcomes the fact that the European Commission understands that measures in this area need to be focused on the Member States. The Committee agrees with the view that it is primarily up to Member States and their regional and local governments to find sufficient ways and means to achieve the expected objectives. Therefore the Commission should provide the maximum support for these measures and should efficiently and effectively coordinate steps taken by individual countries so as to augment the positive effects of these measures across the entire EU;

15. in this context, draws particular attention to the fact that local and regional authorities must play a key role in implementing the planned measures within individual countries;

16. this conviction arises from the fact that it is these structures, due to their proximity to pressing social issues, that have the best knowledge of the specific, local, supra-local or regional characteristics of these issues. They also have generally well-functioning institutions already in place that have been tackling challenges in this area for years. Concentrating efforts and resources via these tried and tested institutions which enjoy democratic legitimacy among their local communities is the most effective way to step up planned measures as quickly as possible;

17. welcomes the scope of the measures carried out under the Youth Employment Initiative, the European Social Fund and the European Regional Development Fund. Expects that the upcoming revision of the MFF will continue paying due attention beyond 2020 to the EU's multiple social challenges, including education, youth employment and social inclusion, and that it will pay particular attention to the least favoured regions, as outlined in Article 174 TFEU;

18. also welcomes the European Investment Bank's measures to support young entrepreneurs and underlines the importance of access to finance, urging for the continuation of such measures;

19. reiterates its support for the 'Youth Guarantee' scheme. In light of some local and regional challenges faced, calls on the Council to work towards simplified procedures for remuneration of internships so as to ensure that the procedures do not act as a disincentive;

20. calls on the European Commission to take the views of local and regional authorities into account when revising the post-2018 EU Youth Strategy;

21. also emphasises that the European Commission's efforts to guarantee high-quality vocational education, and the establishment of training systems to help young people enter the labour market, should also factor in the issue of young people's acquisition of knowledge and (especially practical) skills by means of participation in contexts of non-formal and informal education. Reiterates in this respect its call for cooperation developed on the basis of partnerships between national, regional and local authorities, companies, employees and employee associations, as well as civil society players, with the aim of taking more account of skills and qualifications acquired through non-formal and informal learning ⁽¹⁾; is also convinced that it is important to adopt uniform validation systems which enable the transferable skills gained through non-formal education to be recognised and formalised, and to work to ensure that the labour market recognises the value of such skills alongside formal educational qualifications;

22. particularly welcomes the fact that the European Commission acknowledges the importance of the ERASMUS+ programme as one of the most important instruments for developing young people's international activity and providing them with educational and personal skills training, as well as shaping their awareness of Europe and the global market; welcomes the international activity of all of the key players involved in promoting this exchange, including the schools and vocational training institutes; emphasises the need to develop this programme even more intensively, including by increasing the funds available under the programme within the existing budgetary framework. At the same time, the Committee points out that strengthening the role of higher education establishments and tertiary sector bodies (which are directly responsible for implementing this programme) must be one of the ways to enhance the impact of mobility and (formal and informal) training instruments under ERASMUS+. The Committee therefore recommends those solutions that will enable higher education establishments and NGOs to design even more effective tools so as to develop international mobility and training instruments;

European Solidarity Corps

23. welcomes the idea of establishing a European Solidarity Corps (ESC) and greatly appreciates the modern way of recruiting people interested in the activities offered by the European Solidarity Corps, based on registration via a dedicated website. It should be possible to complement this means of registration with other tools that ensure and facilitate the participation of all young people, especially those in the most vulnerable situations. This method should serve to disseminate the ideas of the ESC, especially the importance of solidarity as the principal value that binds the European community together. The Committee also stresses the need to find solutions that will ensure that young people can join the ESC regardless of their socioeconomic situation and level of training. Solutions must also be found to enable young people with limited access to the internet to take part in the ESC;

24. calls on the European Commission to swiftly establish the legal basis of the ESC and to propose a sustainable way to finance it beyond 2017 so as to avoid overburdening existing funding programmes such as Erasmus+ and to be able to respond to the expectations of a fast growing number of young people applying to join the ESC;

25. points out that this initiative must not create any undue red tape for young people willing to participate and should involve existing youth organisations in the Member States, as well as existing institutions — especially at local, supra-local and regional level — that are responsible for youth policy and supporting youth organisations;

26. draws attention to the need to promote the European Solidarity Corps by putting in place an administrative system that would simplify participation in volunteering activities, both for participants and for civil society organisations;

⁽¹⁾ CoR opinion on 'A new Skills Agenda for Europe' (COR-2016-04094).

27. emphasises that the two strands of the European Solidarity Corps (volunteering and occupational) should be complementary but clearly demarcated in order to be able to implement the necessary mechanisms to prevent undeclared employment; at the same time, the ESC should not be used for replacing paid jobs with unpaid volunteering;
28. points out that the ESC Charter should lay special emphasis on the practical dimension of European solidarity: forging lasting ties between the societies that make up the European community while strengthening the sense of European identity;
29. welcomes the emphasis on the benefits of interregional and cross-border cooperation, but underlines that the ESC must also focus on local volunteering. A large majority of voluntary work takes place where volunteers live. Focusing on this type of voluntary work that benefits local communities can help to build a more robust job market, prevent social exclusion and counteract migration from rural to urban areas;
30. expresses its support for the ESC's goal to help those who are in need. Local communities' needs and expectations should be an important criterion when evaluating the quality of projects;
31. draws attention to the need to develop a common framework for cooperation between the ESC and the United Nations Volunteers programme, the United States Peace Corps, and other similar organisations;
32. stresses that the ESC's activities need to be designed so as to enable the existing potential of youth organisations in Europe, and the voluntary work they carry out, to be harnessed. The ESC must not be an institution that will take over or supersede the work previously carried out by these organisations — rather, it should supplement it. The Committee notes that involving youth organisations active within European countries and thereby encouraging them to work with the ESC will be a key factor for the ESC's success. Furthermore, stresses the need to recognise the extremely important role of the experience accumulated over several decades by European youth organisations in the fields of volunteer management and community development — and to make use of this knowledge base — when drawing up the European Solidarity Corps strategy;
33. stresses the need to establish tools to monitor and support the young people participating in order to ensure the quality of the activities offered by the European Solidarity Corps, and also to ensure the young people are trained and prepared for their participation in the various activities offered by the Corps. Furthermore, hosting organisations involved in the occupational strand, especially regarding internships and apprenticeships, should follow the principles and standards such as those outlined in the European Quality Charter on Internships and Apprenticeships in order to guarantee quality jobs placements;
34. the future relationship between the ESC and the European Voluntary Service (EVS) also needs to be clarified in order to avoid overlaps and ensure continuity and efficiency as regards the opportunities provided by the EU;
35. points out that the establishment of the ESC should also be accompanied by the development of a system to recognise the skills acquired through ESC voluntary work, both in the public and private sectors and in higher education institutions. Such skills are a component of informal education, something which is currently not reflected in a proper system of official certification of qualifications;
36. emphasises that enabling young people to acquire additional skills by means of work and volunteering benefits both the public and private sectors, as it enhances young people's employability, creating a more competitive talent pool for them to hire from; in this connection, calls for cooperation with the private sector so as to explore how the skills acquired can better match the needs of the labour market.

Brussels, 11 May 2017.

*The President
of the European Committee of the Regions*
Markku MARKKULA

Opinion of the European Committee of the Regions on 'Improving the governance of the European Semester: a Code of Conduct for the involvement of local and regional authorities'

(2017/C 306/05)

Rapporteur: Rob Jonkman (NL/ECR), Member of the Executive Council of Opsterland

THE EUROPEAN COMMITTEE OF THE REGIONS (CoR)

I. The European Semester and its limitations

1. notes that the European Semester is the main tool for economic and fiscal policy coordination at EU level, during which Member States align their budgetary and economic policies with the recommendations agreed at EU level. The Semester affects policymaking by public authorities at the EU, national and local and regional levels along the annual cycle; also underlines the link between the Semester and Cohesion policy, with local and regional governments' access to EU Structural and Investments Funds being subject to EU economic governance rules;

2. considers that the success of the European Semester also depends on the complementarity between EU, national and local public funding instruments;

3. notes that the European Semester does not live up to its promises, as is shown by both poor implementation of the Country-specific Recommendations and weak ownership at country level. Furthermore, despite the Commission's efforts to link it with the Europe 2020 Strategy, the 2030 Agenda for Sustainable Development and with the European Structural and Investment Funds, the European Semester is struggling with the complexity and the multitude of different reference frameworks;

4. considers moreover that the transition to a new European strategic framework succeeding the Europe 2020 strategy would be an appropriate juncture for reforming the governance of the European Semester. Any future long-term development strategy would also require policy coherence and a consistent governance framework. Points to the fact that such a framework is not yet provided by the 2030 Agenda for Sustainable Development;

5. notes that the local and regional authorities, and organisations representing them with their national governments, are not a stakeholder among others but a crucial institutional player in the policymaking process in the light of the actual division of power and competences specific to each Member State; stresses that, over 40 per cent of the 2016 Country-specific Recommendations could not be fully implemented without the active role of the local and regional authorities, which are responsible for over 50 per cent of public investment; they are also partly responsible for the implementation of the EU policies and investment agenda;

6. stresses, that local and regional authorities are the government level closest to the citizens, and that their knowledge of the territorial opportunities and challenges and their ability to dialogue with citizens, businesses, social partners and civil society is as vital in an era of mounting scepticism towards public institutions and representative democracy at EU and country level; notes that a recent Eurobarometer survey has shown that local and regional politicians can play a vital role in strengthening the links between Europe and its citizens⁽¹⁾;

7. regrets that the involvement of the local and regional authorities in the European Semester, including the design and implementation of the National Reform Programmes, is neither structured nor explicitly recognised throughout the EU Member States; notes that current practices, widely varying from one country to another, are mostly based on stakeholder consultations, with the local and regional authorities on an equal footing with other bodies recognised as stakeholders, without due consideration to their powers, competences and roles as an indispensable level of government;

⁽¹⁾ See Flash Eurobarometer 427 issued on 22 October 2015 and based on 62 511 respondents.

8. regrets that the European Semester builds on analyses that do not systematically account for a territorial differentiation of challenges and opportunities within Member States, which are due to regions and cities' different starting points and endowments of resources, including institutional and administrative capacity of the public administration;

II. Improving the governance of the European Semester

9. believes that giving a territorial dimension to the European Semester — both at the analytical level (by enriching the Annual Growth Survey, National Reform Programmes and Country-specific Recommendations with analyses of territorial trends and the territorial impact of EU policies) and at the operational level (by providing for a stronger and systematic involvement of the local and regional authorities, building on the approaches of partnership and multilevel governance) — will help make the European Semester more effective and increase its ownership on the ground. It would also help reinforce the link between the EU policy and investment agenda; notes that the local and regional authorities already provide extensive data as part of the ESI Funds and other relevant information is readily available and can be used in injecting a territorial dimension to the European Semester;

10. believes that a stronger involvement of the local and regional authorities in the European Semester should mean that they be involved from the beginning, among others, by co-designing the National Reform Programmes through a mixed top-down and bottom-up planning process; believes that implementation of the National Reform Programmes should involve coordinated action of all levels of government, based on the approach of multilevel governance⁽²⁾; stresses that transparency and accountability should be ensured along the whole process, which should be more evidence-based and make wider use of territorial impact assessment;

11. considers, moreover, in order to reinforce the scope of the National Reform Programmes and remove some of the existing constraints, that it is crucial for regional/national investments, including co-financing for ESI Funds, to be separated from the Stability and Growth Pact calculation, and believes that this will allow for a consistent alignment of the National Reform Programmes with the ESI Funds in view of their shared objectives;

12. recommends that a Code of Conduct is adopted to give the European Semester a territorial dimension by both embodying territorial analyses in its key documents and ensuring a structured and ongoing involvement of the local and regional authorities in its planning and implementation;

13. proposes that such a Code of Conduct should set the basic requirements which all relevant levels of government will have to fulfil; notes that the Code of Conduct should take into account the relevant experience of the European code of conduct on partnership in the framework of cohesion policy's ESI Funds⁽³⁾, as well as existing good practices of strong involvement of local and regional authorities in the Semester, in some countries;

14. notes the considerable diversity that exists at national and sub-national levels as regards institutional arrangements, powers, traditions and resources and stresses that the Code of Conduct should be respectful of existing differences between Member States in terms of constitutional layouts and sharing of competencies between national and sub-national levels of government; believes therefore that the concrete implementation of the country-level provisions of the Code of Conduct should be left to Member States;

15. calls for the Code of Conduct to fully respect the principles of subsidiarity and proportionality; believes that the Code of Conduct should be inspired by, and should form part of a better governance approach and of an overall effort for a more streamlined and less complex Semester, focused on fewer major issues and with a reduced complexity. This means respecting the competences of local and regional governments as well as avoiding unnecessary administrative burdens on local and regional authorities and making use as far as possible of existing structures and processes such as those established under the cohesion policy regulations;

⁽²⁾ Charter for Multilevel Governance (MLG) in Europe <http://cor.europa.eu/en/activities/governance/Pages/charter-for-multiLevel-governance.aspx>

⁽³⁾ Delegated Regulation (EU) No 240/2014 on the European code of conduct on partnership in the framework of the European Structural and Investment Funds.

16. welcomes the endorsement of the CoR proposal for a Code of Conduct by the European Parliament, in its Resolution on the implementation of the 2016 European Semester adopted on 26 October 2016 as well as the recognition in its Resolution of 15 February 2017 on the Annual Growth Survey 2017 that a better implementation of country-specific recommendations requires clearly articulated priorities at European level and genuine public debate at national, regional and local levels, as well as a structured involvement of local and regional authorities;

17. welcomes the recent efforts to improve the Semester process through the European Semester Officers of the Commission located in each Member State and underlines the added value of the officers as a contact point for all levels of government and stakeholders; underlines the need to complement these efforts with a stronger engagement with local and regional governments in areas of the Semester relating to their competences;

III. Basic structure and core content of the Code of Conduct

18. recommends that the Code of Conduct includes the following two sections and basic elements, addressed at the relevant institutional players at all levels; recommends that the actual content of the Code of Conduct be developed in partnership between the relevant EU institutions, ensuring that there is full scope for its country-level provisions to be adapted to the specific national and sub-national contexts in accordance with the principle of subsidiarity;

Section 1: Building the European Semester on a sound territorial analysis

19. recommends that, to ensure a sound territorial basis for the European Semester which will allow a clearer focus on major issues for each government level, the Code of Conduct foresees that:

- (a) the European Commission would complement the Annual Growth Survey with a sub-national level analysis; the Country Reports would include a chapter on regional disparities and would acknowledge the role of the local and regional authorities;
- (b) the European Commission would request that the Member States' National Reform Programmes address regional disparities and other territorial issues raised in the Country Reports and review progress towards the Europe 2020 targets also at sub-national level;
- (c) the European Commission would acknowledge and take into account the role of the local and regional authorities in implementing the Country-specific Recommendations;
- (d) the Council, supported in particular by the Economic and Financial Committee, would consider the territorial dimension of the European Semester, before endorsing and formally adopting the Annual Growth Survey and Country-specific Recommendations;

Section 2: Implementing the partnership principle across levels of government in the European Semester

20. recommends that, in terms of involvement of the sub-national levels of government, the Code of Conduct foresees that:

- (a) each Member State would put in place standing arrangements for the participation of the local and regional authorities along the whole Semester process commensurate with the competencies of local and regional authorities, taking into account the relevant constitutional provisions and normal practices; each Member State would specify how these arrangements would practically work and their timing, as well as the criteria for identifying the organisations representing the local and regional authorities, analogue to the European code of conduct on partnership adopted in the context of the EU cohesion policy;
- (b) the standing arrangements mentioned above would give the local and regional authorities, in particular, the opportunity to: review the Country Report and share their conclusions and policy responses; take part in the preparation of the NRP; review and comment on the draft CSRs;

- (c) such arrangements would also include provisions concerning the involvement of the local and regional authorities in the implementation of the relevant policy measures of the National Reform Programmes and the Country-specific Recommendations;
- (d) the representative organisations of local and regional authorities identified as interlocutors for the implementation of the Code of Conduct, would meet the European Commission during its country visits and consultations at the beginning of the European Semester; the EU umbrella organisations representing the local and regional authorities would take part in a structured dialogue with the European Commission, analogue to the 'structured dialogue' between ESIF Partners ⁽⁴⁾;
- (e) the CoR would contribute to monitoring the territorial dimension of the European Semester by providing both territorial analyses of the Semester's main documents (Annual Growth Survey, Country Reports, Country-specific Recommendations and National Reform Programmes) and political assessments at the beginning and the end of the Semester;
- (f) the European Parliament, in the political assessments it provides at the beginning and at the end of the European Semester, would take the territorial dimension of the Semester into consideration; the Parliament would also cooperate with the CoR on monitoring the European Semester: to this end, the CoR would be invited to take part in the inter-parliamentary week at the beginning of the year as well as in a hearing before the Parliament issues its final assessment of the European Semester in the autumn;

IV. Launch and implementation of the Code of Conduct

- 21. envisages that the Code of Conduct be implemented at the EU level as soon as it is adopted, and at country level over a time span of two years, to allow the national and sub-national levels of government to introduce it, suitably adapted to their specific contexts;
- 22. proposes that the EU institutions, within the legal framework currently available, launch the Code of Conduct as soon as possible through an interinstitutional agreement including the CoR;
- 23. recommends that, in the meantime, the Commission, in principle on the basis of Article 121 TFEU, should propose an amendment to the legislative arrangements governing the European Semester in order to explicitly provide a legal basis to make the Code of Conduct legally binding in future;
- 24. points out that the implementation of the Code of Conduct would be facilitated by using and enhancing existing structures and activities such as: the European Week of Regions and Cities, the reactivation of territorial dialogue between the CoR, representatives of cities and regions and the EU institutions, and the use of data already available from Eurostat and local and regional authorities;
- 25. urges the European Commission and the Member States to address the challenge of administrative and institutional capacity at all levels of government, and especially at the sub-national level, which is a barrier to the full implementation of the Country-specific Recommendations; to this aim, reiterates its call to the European Commission to issue a single strategic document setting guidelines and coordination principles for all streams of EU-funded capacity-building technical assistance;
- 26. calls for measures to be considered to encourage Member States to adopt the Code of Conduct;
- 27. invites the European Commission, the Council and the European Parliament to start working on the Code of Conduct in consultation with the CoR, taking into account the above structure and core content and adhering to the principles of subsidiarity and proportionality.

Brussels, 11 May 2017.

The President
of the European Committee of the Regions
Markku MARKKULA

⁽⁴⁾ Based on Art. 5(6) of Regulation (EU) No 1303/2013 (Common Provisions Regulation).

Opinion of the European Committee of the Regions on Social innovation as a new tool for addressing societal challenges

(2017/C 306/06)

Rapporteur: Marcelle Hendrickx (NL/ALDE), Member of the Executive Council of Tilburg

POLICY RECOMMENDATIONS

THE EUROPEAN COMMITTEE OF THE REGIONS (CoR)

General comments

1. The Committee realises that Europe is facing major social challenges: Europeans are uncertain about their future; unemployment is still higher than before the financial and economic crisis, especially with regard to the youth employment rate; the effects of climate change are becoming more and more pronounced; the population is ageing; and the arrival of refugees, asylum-seekers and immigrants is creating new issues for local and regional authorities.
2. Committee members are seeing society change: nowadays, Europeans are more demanding as well as being more qualified than before. As a consequence, they increasingly determine the path they take in life themselves and want to improve their living standards and participate more in the process of addressing socially relevant issues. At the same time, local and regional authorities are aware that, in this, Europeans may be calling for very different things.
3. Moreover, societal challenges are becoming increasingly complex: they do not fit conveniently into policy areas, nor do they respect administrative borders or begin and end with administration mandates. They require both direct action and a long-term vision and approach, as well as a paradigm shift with regard to the social dimension of EU policies, including that of EMU, in order to reach out to all citizens and strengthen solidarity among people and Member States.
4. At the same time, local and regional authorities have fewer financial resources available to cope with these new and complex challenges in a rapidly changing society, so any intervention in this domain will require objective, pragmatic and effective links between the various levels of governance.
5. The Committee notes the limitations of the current approach and policy instruments regarding efforts to devise solutions to today's societal challenges. Yet at the same time, the aforementioned developments also offer opportunities for a modern, innovative Europe.
6. In social innovation, the Committee sees an important instrument, involving the public, private and third sectors, for tackling current societal challenges and for improving Europeans' quality of life. Socially innovative projects have a greater impact on society and the economy in general, when they are combined with technological support, since these engender better solutions for our fellow Europeans.

Hallmarks of social innovation

7. The Committee agrees with the definition of social innovation as new ideas (products, services and models) that simultaneously meet social needs (more effectively than alternatives) and create new social relationships and partnerships ⁽¹⁾.
8. Social innovation can be a key instrument for tackling all societal challenges. Examples include combating youth unemployment, facilitating care for the elderly and boosting their independence, bringing people with greater difficulties into the labour market and revitalising more outlying regions, as well as regions facing a range of demographic challenges and depressed urban areas.

⁽¹⁾ Empowering people, driving change; Social innovation in the European Union, BEPA (Bureau of European Policy Advisers) — 2011.

9. Taking a bottom-up approach, seeking solutions in co-creation while working closely with the people concerned ⁽²⁾, providing tailor-made solutions, and ensuring new links and cooperation between authorities, companies, knowledge and educational institutions, social organisations and citizens' interest groups ⁽³⁾ are, to the Committee's mind, the hallmarks of social innovation.

10. The Committee would like to single out consumer panels as a good example of a bottom-up approach. Consumer panels provide a point of contact with consumers who are familiar with certain services. Consumer panels are suitable for collecting consumer feedback (e.g. user experiences), developing services and products as well as generating and testing new ideas (on a bottom-up basis). Consumer panels promote inclusion and provide consumers with a real opportunity to have a say.

11. For the authorities, social innovation is another way of working. It requires local and regional authorities to keep an open mind vis-a-vis initiatives and ideas from the public, businesses, knowledge and educational institutions, and social organisations. What is important here is the awareness that the solution to many of today's problems may not lie only with the authorities. An open mind, however, does not mean adopting a passive approach. Promoting social innovation often requires local authorities to play a leadership and coordinating role, in terms of brokering partnerships, bringing stakeholders together, creating innovation ecosystems, promoting good initiatives by the public and by local communities, creating flexible legal frameworks, ensuring that knowledge is shared and encouraging dialogue.

12. The European Commission rightly states that the EU must deliver tangible results which can meet the needs and wishes of the European public. Already by supporting and facilitating social innovation at the forefront of policies being devised and the decision-making process, we will obtain better solutions and more support for them.

13. Public support is crucial at a time when confidence in our democratic institutions is taking a beating. Social innovation is generated by the public and by local communities, from public consultation in order to determine societal needs, to the devising of solutions and their implementation through a process of inclusion, sharing, co-responsibility, reciprocity and the establishment of multi-stakeholder networks. This dimension must be integrated with the territorial dimension, corresponding as closely as possible to the needs of individuals, families and the community.

Using potential and removing obstacles

14. The Committee welcomes the European Commission's recognition of the importance of social innovation, and in particular the potential of the Social Innovation Community Portal and the annual European Social Innovation Competition. The Committee would stress that social innovation is not just about economic growth and creating jobs. It is important that social innovation be acknowledged and recognised as a resource that should be used in different policy areas, including in combating poverty and economic exclusion, which can improve quality of life for people in Europe.

15. Indeed, successful social innovation projects ensure complementarity between reinforcing social inclusion and solidarity, and creating growth and jobs. The Committee therefore insists on the need to mainstream social innovation into local and regional development strategies.

16. Moreover, social innovation gives rise to better innovation. Technological developments are accelerating and trends such as digitalisation and automation are reshaping the labour market and wider economy in fundamental ways in cities and regions: on the one hand, jobs are disappearing because of automation and robotisation, on the other, new jobs are being created. Big data is intruding on people's privacy and not everyone is equally able to follow or process technological developments. Social innovation can help boost resilience in our societies. The Committee sees good examples of social innovation being carried out by local and regional authorities across the EU ⁽⁴⁾.

⁽²⁾ Opinion of the Committee of the Regions on the EU social investment package, CDR1999-2013_00_00_TRA_AC.

⁽³⁾ Opinion of the Committee of the Regions — Towards an Integrated Urban Agenda for the EU, COR-2013-06902.

⁽⁴⁾ For instance, the Proeftuin Dementie (Dementia Testbed) in Tilburg, Netherlands. Businesses, educational and knowledge institutions, carers and patients and their families are working together to help patients live longer and more comfortably at home. The technical innovation being employed there is being developed with these different groups.

17. For successful social innovation not to be shared and just to remain local is a missed opportunity. Innovation often begins locally and on a small scale, but can be useful and applicable to people throughout Europe. In order to use the potential of social innovation to the full, an environment is needed which allows it to be scaled up and publicised.

18. There are numerous examples of good practice in social innovation that help both women and children who are at risk. These practices should be highlighted so they can be extended across Europe to people in such circumstances, where necessary by facilitating funding through the structural funds.

19. Steps must be taken to simplify the cohesion policy and to cut back the red tape associated with it in order to exploit the full potential of such innovation. The current complexity and scale of the regulatory framework puts applicants off. The Committee has repeatedly called on the EU institutions to properly simplify the legislative package for cohesion policy ⁽⁵⁾.

20. Europe's cohesion policy makes it difficult to make use of social innovation as an instrument. The fact that projects are small in scale, that partners are small and non-traditional, and that social innovation is not always used as a criterion in applications for European funds means that EU funding for social innovation projects is being hampered.

21. Consequently, not all European funds and programmes are suitable for social innovation. Just as with technological innovation, social innovation needs room to be able to experiment, and a willingness is needed to accept that not all innovation will be successful.

22. The Committee highlights that social innovation can successfully be taken forward through, inter alia, the social economy. It would point out in this respect that social economy initiatives, being based on cooperation and civic engagement among the individuals who make up communities, contribute to boosting social, economic and territorial cohesion and to raising the level of trust throughout the EU. It is therefore essential to support social innovation also through unlocking the potential of the social economy by improving access to various forms of financing and by tapping sufficient financial resources at local, regional, national and EU levels ⁽⁶⁾.

Innovation vs social innovation

23. The Committee recognises the importance of innovation for the European Union to be able to offer Europeans the best education possible and enough jobs, face the challenges of today and ensure that people continue to enjoy a high level of well-being and a good quality of life. Against this background, the Committee would stress the importance of the Innovation Union initiative for making the EU more innovation-friendly, enabling it to turn good ideas into products and services more quickly.

24. The Committee welcomes the various efforts being undertaken by the European Commission to promote social innovation, in the fields of the EU Programme for Employment and Social Innovation (EaSI), collaborative economy models, Horizon 2020, cultural awareness platforms, and SME Instrument programmes.

25. However, the Committee considers that, despite the fact that the EaSi programme sets out, among other things, to tackle long-term unemployment and combat poverty and exclusion, there are still no European-scale mechanisms capable of responding effectively to these shared problems.

26. Despite these efforts, the Committee feels that in the Europe 2020 Strategy, too much emphasis is placed on the technological side of innovation, to the detriment of social innovation. The Committee would emphasise that social and technological innovation complement one another, and it is by providing incentives for ensuring the two are complementary that important outcomes can be achieved for society.

⁽⁵⁾ Inter alia: Opinion of the Committee of the Regions on the Simplification of ESIF from the perspective of local and regional authorities (COR-2016-00008).

⁽⁶⁾ CoR opinion on The role of the social economy in restoring economic growth and combating unemployment (COR-2015-01691).

Role of the European Union and recommendations

27. Today's social challenges are cross-border in nature and often end up being dealt with by the local and regional authorities in Europe. Social innovation can play an important role in creating social, economic and territorial cohesion. It is desirable for the EU to act as a driving force and facilitator in this and provide a link between the various parties involved.

28. The Committee calls on the European Commission, when formulating policy, to expressly take into account how policy can be implemented at local and regional level, in keeping with thinking behind the EU Urban Agenda, where the Commission, Member States, and towns and cities map out the practicability of EU policy and legislation at local level. This is all the more relevant for social innovation projects, which are often supported by local and regional authorities during the whole innovation process (emergence, experimentation, diffusion and evaluation).

29. The Committee would ask the European Commission to acknowledge and endorse social innovation as an instrument for dealing with highly diverse social challenges and for improving Europeans' quality of life.

30. The European Commission should be in the vanguard of efforts to develop social innovation and share knowledge and good practice in this domain; for example, on the part of social economy bodies it should ensure the adoption of policies conducive to social innovation and to the creation of a genuine European social innovation community, between the various levels of governance — including integrated measures in the field of health, housing and active job seeking.

31. The Committee urges the European Commission to remove the obstacles referred to above and to make social innovation one of the criteria in applications for EU funds, to open up funds and programmes to non-traditional institutions and groupings and to allow room for experimentation such that it would be acceptable for an experiment not to succeed.

32. The Committee asks the European Commission to develop monitoring arrangements and impact assessments, with clear indicators, as well as assessments of developments in social innovation in the different Member States, especially on the part of the social economy. This would allow the results of social innovation to be measured, the impact thereof assessed, and for this information and the success stories to be made known. It would also make it easier to attract funding.

33. In order to use the potential of social innovation to the full, the Committee is also explicitly looking to itself: it is calling on its members to experiment with social innovation at local level, involving other authorities, businesses, knowledge institutions and the general public and to share experiences.

34. The Committee underlines the importance of social clauses in the evaluation of bids for public procurement and asks the European Commission to ascertain that these are properly transposed and implemented by Member States. It further calls for flexibility in the current State Aid rules so as to foster social innovation. Furthermore, it suggests exploring the potential of member capital and participatory innovation for existing social innovation and social investment programmes, which are usually based on investor-led models.

Brussels, 11 May 2017.

*The President
of the European Committee of the Regions*

Markku MARKKULA

Opinion of the European Committee of the Regions on The local and regional dimension of bioeconomy and the role of regions and cities

(2017/C 306/07)

Rapporteur: Katrin Budde (DE/PES), Member of the Landtag of Saxony-Anhalt

POLICY RECOMMENDATIONS

THE EUROPEAN COMMITTEE OF THE REGIONS (CoR)

Key messages

1. welcomes the efforts made so far by the European Commission, the Member States and the regions to support the bioeconomy at regional level by sustainably managing natural resources, including soil and inland and marine waters, and calls for these efforts to be stepped up further;
2. considers that expanding the bioeconomy, particularly in rural and suitable forested areas of the EU, represents major development potential in terms of growth and jobs, and points out that this potential can only be harnessed if those involved on the ground in the regions and municipalities cooperate closely and pursue shared objectives;
3. proposes therefore that a future update of the bioeconomy strategy and action plan focuses on realising the potential and benefits of the bioeconomy, including biotechnology and biomass, for local and regional development in both urban and rural areas;
4. is convinced that greater synergies between European, national, regional and local bioeconomy initiatives in the spirit of multi-level governance are necessary to bring about the best possible conditions for the bioeconomy to develop in Europe;
5. calls, in particular, for use to be made of regional smart specialisation strategies that focus on the bioeconomy, and for this to be taken into account when reviewing the bioeconomy strategy;
6. suggests reviewing — with the Better Regulation initiative in mind — the existing legal framework governing the expansion of the bioeconomy, so as to remove any barriers to investment that exist in EU regulations;
7. calls for the Commission, Member States and European regions to carry out proactive communication strategies so as to raise awareness of the potential of the bioeconomy in the regions; suggests, in this regard, using the terms ‘bioregions’ and ‘biocommunities’ to refer to rural areas, cities and regions that place particular emphasis on expanding the bioeconomy;
8. is in favour of closely dovetailing initiatives for promoting the bioeconomy with the development of a sustainable circular economy at regional and local level, and calls for support to be given to bioregions and biocommunities as well as to businesses and associations that make use of their local biological resources to create new value chains, partly by directly financing their own regional research centres operating in the various bioeconomy sectors including in agri-food;
9. calls for the EU and Member States support policy to be altered so as to foreground local solutions to existing problems and challenges and ensure that the conditions for EU promotion of the bioeconomy are designed in such a way as to enable support to be given to solutions tailored to different regions, taking also into consideration the particular challenges facing islands or remote regions;

10. underlines that investment in the bioeconomy can only be increased if access to the main EU funding instruments such as EFSI, ESIF, Horizon 2020, COSME, etc. is improved;
11. calls for new combinations between different EU funding programmes to be made possible so as to meet the requirements of an integrated strategy for developing the bioeconomy (promoting RDI and investment, guarantees);
12. advocates making it easier to take regional interests into account in the Bio-based Industries Joint Undertaking so as to improve the consistency of measures, to make the best possible use of synergies and to exchange best practice to stimulate investment in the bioeconomy;
13. calls on the European Investment Bank to make the most of the opportunities created by EFSI 2.0 to finance the bioeconomy, and to proactively forge contacts with bioregions and biocommunities;
14. is in favour of further supporting the promotion of interregional cooperation and benchlearning between bioregions and biocommunities by means of Horizon 2020, Interreg and other programmes; suggests, in this connection, also making use of the European Grouping for Territorial Cooperation as a legal tool to foster cooperation between bioregions and biocommunities;
15. urges the European Commission to adopt measures even before the next funding period begins so as to support coordinated use of EU funds — particularly in the areas of agricultural policy, including the agri-food and forestry sectors, and cohesion policy — by means of appropriate safeguards and coordination on the substance of the operational programmes for bioregions in Europe;
16. recommends drawing up proposals for the introduction for a limited period of time of relevant demand-oriented incentive systems for bio-based products in order to offset the initial higher costs incurred during market roll-out; calls in this respect on Member States and EU regions to favour bio-based materials in public procurement;
17. is convinced that the huge bioeconomic potential of Europe's regions can be better harnessed by giving cities and regions, and their interregional associations, a larger role on the Bioeconomy Stakeholders Panel, and therefore calls for a 'European Forum of Bioregions, Biocommunities and Biomunicipalities' to be held once a year in a different European bioregion or biocommunity each time, also involving representatives from the Member States, the European Committee of the Regions and the European Parliament;
18. underlines that if the bioeconomy is to be expanded, Member States' education systems should be adapted and training courses, further vocational training, professional qualifications, and higher education courses also could empower people to respond to the new skills requirements; therefore proposes that these requirements be taken into account in the European education agenda as well;
19. points out that the bioeconomy is also an opportunity for the health sector, since advanced research technologies now make it possible to develop innovative therapeutic products based on complex natural substances, which are yielding encouraging results and are beneficial for the ecosystem. The production of high-quality and functional food also helps to improve the population's health;
20. suggests that the next research framework programme, as well as the design of the common agricultural policy and future cohesion policy, give more consideration than before to developing the bioeconomy, and also proposes that the contribution of the bioeconomy to territorial cohesion in the EU be acknowledged;

21. takes the view that a comprehensive territorial impact assessment is vitally important to the review of the Bioeconomy Action Plan, and that the progress made under the next action plan should be regularly reviewed in the form of an implementation report;

Potential of the bioeconomy

22. is of the view that global challenges such as population growth, resource scarcity or depletion and climate change mean that new approaches must be found to safeguard the sustainable growth and the efficient use of resources crucial for people and for the competitiveness of Europe and its regions, now and in the future. The development of environmentally-sound agricultural practices plays an important role in this respect. The European Committee of the Regions (CoR) is convinced that a knowledge-based bioeconomy fully respectful of the environment can make an important contribution to this end. The bioeconomy is a key topic for the future. One way in which it has particular potential is that it promotes environmental sustainability by fostering independence from fossil fuels and counteracts climate change by means of carbon neutrality. Sustainably produced products and services making use of biological resources can reconcile the three aspects of sustainable development, that is, economic growth, social development and environmental protection;

23. does not deny that there are also risks to using biotechnological processes. For example, using biomass as a starting point for bio-based products risks creating competition for land and water (the 'food versus fuel' discussion). Precisely for this reason, existing raw materials must be used sustainably and sparingly, and in a multi-faceted way. Smart and cascading use of biomass as a material — repeated and carried out as often as possible — can contribute to this objective. This approach should be taken into account when working on the future strategic direction for promoting the bioeconomy. The use of biotechnology can also have an effect on biodiversity decline, including due to the use of GMOs. It is imperative to ensure strict application of the precautionary principle in connection with any initiatives undertaken, in accordance with the principle of EU law set out in Article 191 of the Treaty on the Functioning of the European Union (TFEU);

24. notes that the greatest possible use of bio-based products in as wide a range of sectors as possible also helps to secure and create jobs in new, sustainable markets — also, and notably, in previously disadvantaged and less-industrialised regions, as well as in rural, mountain and coastal areas. The high-tech components of the bio-based chemical and biotech pharmaceutical industries can not only regenerate deindustrialised or struggling sites, but also provide advantages in terms of health and quality of life. This lends a social dimension to the bioeconomy, as it can act as a catalyst and provide an opportunity for local and regional structural change;

25. aims to significantly increase the share of innovative bio-based industries as part of gross domestic product in the next ten years, and is convinced that this can only be achieved with the help of the regions;

26. notes that both regional conditions (presence of natural resources, degree of economic use, development of value chains, presence of an innovative environment) and strategic decisions by local actors are crucial to the expansion of the bioeconomy. Specifically, this means that opportunities to influence the further development of the bioeconomy exist — and should be used — in the following areas: science, technology, primary production and industrial infrastructure, demand and incentive schemes, consumer habits and awareness, culture, policies and laws;

Obstacles to the development of the bioeconomy

27. welcomes the fact that efforts to expand the bioeconomy are being made in many EU regions, but also highlights the huge development disparities between regions in expanding the bioeconomy and sees considerable potential for progress in this regard. There are already very divergent interpretations in the EU regions of what biotechnology means. The CoR therefore believes that suitable communication strategies are needed in order to disseminate information about the potential of the bioeconomy and to raise awareness accordingly. The CoR asks the Commission — as well as countries and EU regions — to start taking action in this regard, or to step up their efforts. An open and transparent discussion is needed with all relevant local actors about the objectives and challenges of the bioeconomy, and possibilities for implementing it, as well as about the negative or damaging effects of not implementing it. The general public should also be informed about the bioeconomy and — in contrast to biotechnology — be given the opportunity to become actively involved;

28. sees obstacles to the development of the bioeconomy in the following areas: uncertain market and technological development, associated major project-related risks and long payback periods with regard to the construction of infrastructure, high research and development costs, higher costs for bio-based products — the reasons for which are (despite sustainability) difficult to communicate to end users — a large number of individual operators (in production, politics, science), regulatory frameworks and the lack of a long-term strategy able to support all the stages of development and establishment of an enabling environment that limits the high degree of business risk in this sector;

Investment and finance

29. welcomes the fact that EUR 3,85 billion from Horizon 2020 has been earmarked for investment in bioeconomy research and development, that a decision has been taken to establish the Bio-based Industries Joint Undertaking, and that EFSI 2.0 funding is also being extended to bioeconomy-related projects;

30. underlines the need for further investment in developing and expanding a bio-based economy and calls for easier access to the various existing financing instruments (ESIF, EFSI, Horizon 2020, CAP) by making use of complementarities and synergies; calls for the creation of new and improved ways to combine EU funding programmes (promoting innovation and investment, guarantees) in order to reduce risks for private investors and to help small and medium-sized enterprises (SMEs) to bring bio-based products to the market;

31. advocates better funding options as well as sufficient risk capital and innovation funding to help develop market-viable solutions for serial production so as to reduce the particular economic risk for SMEs, especially in the market entry/commercialisation phase;

32. points out that the regional conditions needed to expand the bioeconomy are very varied, and asks the Commission to propose how regional approaches can be incorporated at an early stage when planning policies regarding the design of funding options. The objective is to find ways to design funding options that enable them to be successfully implemented in varied regional contexts, to overcome geographical challenges linked to insularity or remoteness and to be better integrated with national, regional and local funding programmes;

33. requests a review of what demand-side support for the bioeconomy and demand-side instruments for bio-based products can be introduced; takes the view that market incentive schemes for bio-based products could help to partially offset the cost disadvantages for consumers, thus, in the long term, supporting better market access for bio-based, sustainable products;

Support for regions and regional actors, legislation

34. emphasises the fact that the regions and municipalities play a particular and increasingly important role in expanding the bioeconomy, as locally available bio-based raw materials are the starting point for bioeconomy value chains;

35. points out that the EU regions need more support to draft and implement regional bioeconomy strategies, and thus welcomes initiatives such as the European Sustainable Chemicals Support Service; suggests extending such initiatives to other industrial sectors of the bioeconomy (e.g. pharmaceuticals, automotive industry, construction, energy, biotechnology, agri-food and forestry, industrial plant construction, information and communications technology);

36. calls for the role of villages, cities and regions, and their interregional associations, to be increased in order to identify best practice models and to achieve benchmarking between bioeconomy regions; further advocates the adoption of suitable measures aimed at bolstering the role of municipalities in developing the bioeconomy, including in the framework of activities organised by them. It is worth bearing in mind that it is often at local level and in a small scale that bioeconomic processes begin, and it is therefore essential to support such initiatives;

37. stresses that interregional networks such as the European Bioeconomy Intercluster 3BI, the Vanguard Initiative or the European Chemical Regions Network (ECRN) and other networks related to agriculture and rural areas (e.g. Euromontana, AREPO, ERIAFF etc.) make a major contribution to expanding the bioeconomy. They are important mechanisms for developing strategies and coordinating the exchange of knowledge at local and regional level. They also often serve to link up the local, regional, national and EU levels;

38. supports initiatives such as the Łódź Declaration of Bioregions⁽¹⁾ (concluded by Central and Eastern European Regions and stakeholders from companies, academia, NGOs and farmers at the European Bioeconomy Congress, held in Łódź in 2016) and welcomes the increased interregional networking of bioregions thanks to cross-border value chains and macro-regional cooperation;

39. is convinced that expanding the bio-based economy requires a comprehensive approach that combines various policy areas, and that clusters with global potential, networks and other platforms should be given more support so as to coordinate knowledge transfer and dialogue along value chains;

40. considers that there continues to be an urgent need to improve coordination between the various political and national levels so as to promote the bioeconomy, particularly with regard to regulatory frameworks. The 28 Member States currently apply different rules for the use of biomass as a starting point for bioeconomy value chains. Similarly, many end-products of the bioeconomy are processed differently in the different EU Member States. The CoR believes that legislation must be harmonised and simplified, in accordance with the principles of subsidiarity and proportionality;

Research and development, training

41. underlines that disseminating expertise about the sustainable use of biomass as a starting point for the bioeconomy value chain is an essential element in the development of the bioeconomy. Stepping up research, and developing new products and putting them on the market, is a long-term process that ties up a great deal of human and financial resources;

42. suggests that support for research networks and cooperation among various operators in different value chains including universities and non-university research institutes, be further augmented, and that the potential benefits offered by science, the productive sector and industry be more closely intertwined. In particular, national and regional clusters which transfer the results of innovation to the market must be reinforced by developing an interactive, synergy-based network of producers, researchers, entrepreneurs, investors and policy-makers;

43. calls for a comprehensive overview of current bioeconomy-related initiatives. Increasing incentives must be provided for financing of pilot, demonstration and production facilities in this sector in the EU regions so as to develop low-carbon production and industrial processes and pool experience and know-how. This strategy must avoid duplication and make developments in processes and products more economical;

44. points out that expanding the bioeconomy means a change in the structure of education, that education must become more interdisciplinary, and that curricula need to factor in more new training courses.

Brussels, 11 May 2017.

*The President
of the European Committee of the Regions*
Markku MARKKULA

⁽¹⁾ https://media.wix.com/ugd/32bd65_afadb83292a0452fa58289575d1e5eaf.pdf

Opinion of the European Committee of the Regions on 'Health in cities: the common good'

(2017/C 306/08)

Rapporteur: Roberto Pella (IT/EPP), Mayor of Valdengo

POLICY RECOMMENDATIONS

THE EUROPEAN COMMITTEE OF THE REGIONS (CoR)

General comments

1. recognises that the concept of health is essential to the well-being of a society. This concept, as defined by the World Health Organisation (WHO), relates not merely to physical survival or the absence of disease, but includes psychological factors, natural, environmental, climate and housing conditions and working, economic, social and cultural life;
2. stresses that cities play an important role in health promotion owing to the phenomenon of urbanisation, with 70 % of the world's population living in urban areas;
3. reiterates that EU measures, financing arrangements and priorities are often geared towards large cities, and that more attention should be paid to the important accumulative impact of small and medium cities and towns with a population of between 5 000 and 100 000, in which more than half of the EU population lives⁽¹⁾, and their considerable scope for designing and implementing rules to improve public health in the EU;
4. points out that the term 'healthy city' (see WHO) presupposes the idea of a community that is conscious of the importance of health as a public good and able to foster and put in place clear policies to protect and improve existing forms of welfare, as well as prevention to increase resilience and healthy life expectancy and cut risks of disability, whilst promoting sustainable development goals;
5. notes that although many of the 12 partnerships launched by the 2016 Pact of Amsterdam for the purposes of implementing the Urban Agenda for the EU relate to health issues, no specific partnership has as yet been dedicated to health. Regrets, furthermore, that the Urban Agenda for the EU does not provide for cross-cutting cooperation between authorities in evaluating health effects at an early stage. Therefore calls for the definition of health, health assessment and health promotion to be included in the Urban Agenda for the EU, highlighting its impact on health;
6. notes that public health is a national responsibility and the role of the EU is primarily to complement Member States' policies in helping government achieve shared objectives and generate economies of scale;
7. highlights the need to study and analyse the determinants of health, in particular in relation to health in cities, and to assess the opportunities and issues resulting from increased life expectancy;
8. sees the need for a review of welfare mechanisms using data on the varying circumstances and needs of different population groups, where older age groups are growing in line with the increase in life expectancy and where there is an increase in inequality between social groups, and of the parallel phenomenon of migration, which constitutes a further challenge for social and health services;
9. sees regional and local authorities as guarantors of a network of fairness and collaborative multilevel governance in which institutions, businesses, civil society organisations and the public can contribute to designing a fair, shared, harmonious urban system;

⁽¹⁾ CDR 7987/2013.

10. can see opportunities to propose and adopt practical tools for 'health in cities' as a public good in the following priority policy areas:

- urban planning,
- mobility and transport,
- environment and healthy diet,
- sport, physical activity and education,
- governance.

Urban planning

11. urges that health and the definition of health be included in the Urban Agenda for the EU, which would launch a new culture of joint planning that can contribute to ensuring that spatial planning promotes health and provides supportive environments for health;

12. invites local authorities to make use of the Urban Innovative Actions (UIA) — an initiative of the European Commission with a total ERDF budget of EUR 372 million for 2014-2020 (it does not specifically mention 'health' as a priority area, in fact) to provide urban areas with resources to test new and unproven solutions to address urban challenges and reflect on innovative actions that could address some of their health challenges too;

13. calls for the pursuit of policies to integrate health and social care and improve the social, economic and environmental fabric of deprived or disadvantaged neighbourhoods;

14. draws attention to the need to safeguard the welfare of the most vulnerable groups, particularly women and children, and of groups prone to medical conditions such as mental health problems, disease and disability. This is a social cohesion priority in terms of combating — in the urban context — the socio-economic gap and rising inequalities; It is, in fact, the correlation between health and social indicators (such as overall mortality, disability and subjective health) that shows that this inequality takes the form of a gradient (Gini coefficient): wherever you are on the social scale, there is a less favourable level of health below you and a more favourable one above. This suggests that in order to achieve consistent health outcomes from the policies designed to tackle this issue we cannot be satisfied with approaches that focus selectively on high-risk individuals: we have to tackle the whole of the *gradient*;

15. considers it vital to frame policies that ensure healthy and active ageing in good physical and mental wellbeing, social life and relationships and encourage involvement in the city's leisure activities and intergenerational programmes, not least to combat loneliness and isolation;

16. underlines that it is necessary, to strengthen health promotion, prevention and social/health integration policies for migrants as a social inclusion priority, including the use of cultural mediators present in the city (e.g. Re-Health⁽²⁾) and dedicated attention to victims of traumatic experiences, especially children;

17. suggests evaluating the potential benefits and costs of establishing *monitoring centres* for health determinants in major urban centres (based on harmonised European definitions and methodologies) or information centres (*HiAP focal points*) that would enable local and regional authorities to access best practice, case studies, reports, funding possibilities and so on in this sphere;

18. suggests that cities which do not yet have such a service should evaluate the potential benefits and costs of establishing the post of a *healthy city manager*, who would interpret the needs expressed by the city and guide the improvement process in synergy with local authorities by aligning their policies and ensuring their implementation.

(²) Run in collaboration with the International Organisation for Migration: <http://re-health.eea.iom.int/>.

19. believes that proper spatial planning, that aims to improve population health, should not only include green areas and spaces, but also provide for an overall assessment of the ecosystem of cities and regions;

Mobility and transport

20. stresses the importance of framing local policies for urban public transport planning, active mobility and urban mobility based on sustainability and public health. In this context, draws attention to the revised Horizon 2020 work programme 2016-2017 for 'Smart, green and integrated transport' (with a budget of over EUR 6,3 billion for the period 2014-2020) and its 'Urban Mobility' heading in particular and recommends the policymakers to explore the possibilities offered by the programme to invest in their local mobility projects;

21. reiterates its support for the Sustainable Urban Mobility Planning and encourages designing transport and planning/land use policies according to a sustainable mobility hierarchy that prioritises incentives and measures to make active mobility on foot or by bicycle safer and more attractive and also encourages multimodal public transport; requests to be included in the Coordinating Group of the European Platform on Sustainable Urban Mobility Plans;

22. encourages local and regional authorities to endorse European policies that foster the use of — private and public, electric and electrified — modes that progressively reduce the use of fossil fuels and incentivise that of clean ones;

23. notes that healthy cities can only be achieved if cities are sustainable. Underlines that quality of life and global environmental conditions depend on the state of the urban environment and, therefore, that a holistic and sustainable approach will be a prerequisite for future urban development ⁽³⁾;

24. calls for new, comprehensive transport policies to make sure that every city falls into step with the highest standards of accessibility and usability of urban spaces and services for people with disabilities;

25. calls for awareness-raising initiatives to make people better informed about urban mobility options that are more efficient in terms of the economy, the environment and the effect on their health;

26. calls on the European Commission, when reviewing the criteria for green public procurement in the EU transport sector, to include the use of sustainable means or to promote the development of innovative technologies in the transport sphere and their dissemination in the Member States;

27. warmly welcomes best practices such as the EUROPEAN MOBILITY WEEK — a well-established campaign, launched in 2002, that in 2016 reached its highest participation rate with 2 427 towns and cities organising awareness-raising activities from 16 to 22 September every year, the EU-funded project PASTA ⁽⁴⁾ (Physical activity through sustainable transport approaches) — a programme that explicitly acknowledges the link between health and mobility in cities and public-private partnerships to develop services for commuters.

28. points out that local and regional authorities have the legal powers to designate conservation areas, support the EU Natura 2000 networks and integrate biodiversity concerns into urban and spatial planning and points to the growing body of scientific research that nature can contribute to addressing the health and social challenges by mitigating climate change effects, promoting physical activity and social integration and reducing stress;

⁽³⁾ COR/07987/2013

⁽⁴⁾ <http://pastaproject.eu/home/>

Environment, housing and healthy diet

29. welcomes the European Commission's decision of 7 December 2016 to frame an action plan to better implement the Birds and Habitats Directives and its recognition of the importance of integrated management and planning of cities in achieving biodiversity conservation objectives in the EU ⁽⁵⁾;

30. reiterates its request — and its own commitment on this — for an increase in the budget of the LIFE Nature and Biodiversity programme after 2020. This programme is intended to develop green infrastructure and solutions in cities, which are acknowledged as being crucial in the light of climate change, the climate and energy goals of the EU agenda for 2020-2030, the Paris Agreement, the UN and FAO agendas and the SDGs; in this perspective, calls for stronger support for initiatives at the local and regional level on climate adaptation in the European urban environment ⁽⁶⁾ with a view to the 8th Environment Action Programme 2020-2027;

31. urges that action be taken on environmental and climate-related factors to promote health in cities. Projects under way have demonstrated the impact of urbanisation on the prevalence of diseases, such as cardiovascular and respiratory ones, but also obesity and type 2 diabetes. Therefore calls for cost/benefits analyses of failure to address the air and noise pollution that affect and determine the state of health in cities in order to increase awareness and to choose the most economically viable public policy ⁽⁷⁾;

32. encourages initiatives that promote collaboration between local and regional authorities, health and nature sectors and aim to improve the health and well-being of citizens by connecting citizens with nature, allowing them to benefit from regular access to nature areas in the proximity, promoting regular physical activity and using nature areas for therapeutic interventions along with other health treatments;

33. warmly welcomes good practices, such as the European Green Capital Award, and the nascent European Solidarity Corps, which will offer opportunities to young Europeans to contribute directly to the management of Natura 2000 sites through volunteering activities, thus bringing them close to nature, increasing environmental awareness and reaping the health benefits of nature and biodiversity;

34. urges that account be taken of housing conditions and housing-related health issues, as well as health and safety in the construction and maintenance of public buildings such as schools and day-care facilities, including in relation to indoor air quality;

35. recommends the greatest possible attention be given to the importance of adopting a healthy diet, through precise guidelines that take account of the different contexts and different target populations (school meals, workplace menus and relevant social canteens). In this context, welcomes the publication of the technical report on the Public Procurement of Food for Health in schools and recommends to all local and regional authorities who purchase food and food-related services in or for schools to use this support document to better integrate health and nutrition into food procurement specifications;

36. recommends the promotion of policies designed to reward environmental responsibility in the productive sector, aimed both at producers and products and including the waste sector;

37. recommends focusing particularly on preventing eating disorders, and the harmful use of alcohol and tobacco, and other addictions and proposing specific strategies at local and regional level, not only by promoting innovative and high quality research, sharing evidence, and assessing regulatory measures, but also by adopting prevention and monitoring policies for public spaces and places;

⁽⁵⁾ http://europa.eu/rapid/press-release_MEX-16-4308_en.htm: 'The Action Plan will contain a series of concrete measures such as holding regular meetings with mayors and other local authorities to assess implementation challenges and help Member States take the necessary corrective action. Moreover, the Plan will design, in partnership with Member States and relevant stakeholders, appropriate implementation guidelines for regional actors, reducing unnecessary burdens and litigation, and incentivising national and regional investment in biodiversity. The Committee of the Regions will be closely involved in the follow-up of today's orientation debate.'

⁽⁶⁾ Mid-term evaluation of the LIFE programme (see COR-2016-04126).

⁽⁷⁾ Towards a new EU climate change adaptation strategy — taking an integrated approach (see COR-2016-02430).

Sport, physical activity and education

38. reiterates that physical activity is one of the most effective ways to prevent non-communicable diseases and combat obesity, and to maintain a healthy lifestyle; given the growing evidence on the positive correlation between exercise and mental health and cognitive processes in this regard, calls on the local and regional authorities to collect and share their good practice examples to inspire, lead and learn;

39. calls on the European Commission to strengthen the role of the municipalities and regions in pursuing better HEPA (health-enhancing physical activity) policies to encourage the taking up of physical activity in every area of the individual's life, from school to the workplace to leisure time and transport, and to respond to recent calls from the Council and the Parliament to take initiatives to promote healthy lifestyles;

40. reiterates the need to promote training and capacity-building on health in education establishments, since it has been demonstrated that health education carried out in schools is effective in reducing the prevalence of behaviour that jeopardises young people's health;

41. endorses the content of the first report on the implementation of Council recommendations on the promotion of HEPA across sectors, adopted by the European Commission and published in December 2016⁽⁸⁾ and recommends that the European Commission set itself the goal of reducing the cost of physical inactivity, which stands at more than EUR 80 billion per year in the 28 EU countries⁽⁹⁾, by increasing efforts to promote physical activity and discourage sedentary lifestyles and by supporting the development of monitoring indicators at local, regional and EU level;

42. warmly welcomes best practices such as the following, and calls for them to be shared at local level: creating conditions for increasing cycling/walking routes for running and walking as well as for urban mobility ensuring proper security; the transformation of green public spaces into 'open-air gyms'; raising the quantity and quality of school hours dedicated to teaching sport 'for all'; out-of-hours use of school sports facilities for other sections of the public; and supports initiatives such as the annual designation of a European capital and cities of sport — an event coordinated by ACES Europe; the European Week of Sport, which in 2017 will have the title 'Sport and Health'; the Erasmus+ sport programme, and better promotion of HEPA (Health-Enhancing Physical Activity);

43. acknowledges the severe effects of the financial and economic crisis upon the capacity of public healthcare systems to deliver adequate services, also in the light of growing demand due to, inter alia, an ageing population; recalls that ICTs can be a powerful tool for maintaining cost-efficient and high-quality health care, as they empower people of every age to better manage their health and quality of life, in urban and rural areas alike;

Governance

44. proposes working with the European Commission to examine tangible ways to invite regional and local administrations to participate in networks such as Smart Cities or the Covenant of Mayors or in health prevention and promotion networks promoted by the WHO (WHO Healthy Cities Network, WHO Healthy Ageing Task Force, WHO Age-Friendly Cities Project, WHO Regions for Health Network, Schools for Health in Europe Network, etc.), in key areas of the flagship Resource Efficient Europe⁽¹⁰⁾ initiative, such as biodiversity and land use, waste and water management or air pollution;

45. calls for more support to be given to local initiatives to inform people about primary prevention programmes and to encourage them to join, with particular reference to lifestyle diseases and chronic, communicable and non-communicable diseases, which are now the main risk to human health and development; calls for support for scientifically tested secondary prevention programmes for the public, which involve institutions and education services;

⁽⁸⁾ eur-lex.europa.eu/legal-content/IT/TXT/?qid=1483950644221&uri=CELEX:52016DC0768

⁽⁹⁾ ISCA/CEBR Study (2015) in Narrative review: the state of physical activity in Europe, p. 37 [PASS Project fr.calameo.com/read/000761585fb41d432c387](http://PASS.Project.fr/calameo.com/read/000761585fb41d432c387).

⁽¹⁰⁾ CdR140/2011.

46. calls for the forging of a strong alliance between municipalities, universities, healthcare companies, research centres, businesses, professionals, charities and community organisations to study and monitor at urban level the determinants of citizens' health, so as to create a more effective and responsive multilevel governance to improve health policy;

47. stresses that it is the responsibility of all tiers of government, and the public itself, to play a big part in reducing the impact of communicable diseases, promoting and incentivising vaccination plans, prevention and healthy lifestyles and studying the best urban contexts (health facilities, workplaces, recreation and sports facilities and virtual spaces such as authorities' own websites) for informing and motivating people;

48. points out that little has been done so far to assess the health effects of the circular economy. In relation to implementing and continuing work on the European Commission's Circular Economy Package, as well as national projects promoting the circular economy, its health effects should be assessed in more detail and dialogue stepped up between authorities responsible for waste management, environmental protection and health protection (e.g. on the use of waste in earthworks or on water reuse);

49. recommends that promotion of well-being and health be added to local and regional strategies, so that this is better taken into account in different sectors' decision-making. Implementation could be monitored with online well-being reports containing indicators set at national level;

Brussels, 11 May 2017.

*The President
of the European Committee of the Regions*

Markku MARKKULA

Opinion of the European Committee of the Regions on EU Enlargement Strategy 2016-2017

(2017/C 306/09)

Rapporteur: Rait Pihelgas (EE/ALDE), Mayor of Ambla**Reference document:** Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: 2016 Communication on EU Enlargement Policy

COM(2016) 715 final

EU Enlargement Strategy 2016-2017

POLICY RECOMMENDATIONS

THE EUROPEAN COMMITTEE OF THE REGIONS (CoR)

General comments

1. maintains that the enlargement strategy and the accession of new Member States acts as a guarantee of EU policy implementation and the success of Europe as a whole and affirms that enlargement is the EU's most powerful foreign policy tool;
2. notes that the way forward as seen by the current European Commission — there will be no further EU enlargement during its term of office (2014-2019), but the ongoing enlargement process will continue — has now reached the point where enlargement discussions with Turkey have been put on hold for various political reasons. At the same time, the Western Balkan countries, which are surrounded by EU Member States, have started to participate directly in European Commission policies; in addition to the enlargement process, they are also closely involved in the EU's migration policy (Western Balkans route) and related policy areas, including security;
3. points out that Western Balkan countries aspiring to join the EU have adopted a constructive approach to dealing with current challenges (incl. intensified attempts from outside to reverse the European course) in cooperation with the EU institutions, and welcomes their readiness to help solve the immigration and security problems facing the EU;
4. stresses that the new working relationship between the European Commission and Western Balkan countries requires a responsible approach to meeting commitments and conditions for EU enlargement; underlines that the negotiations need to follow an objective assessment of the preparedness and progress of the candidate countries in meeting the political and economic criteria and that the conditions must not be changed during the process to respond to the sensibilities of one or the other negotiating party;
5. believes that the results and progress achieved by candidate and potential candidate countries in the enlargement process must be seen publicly as confirmation that the European Union remains open to all those who wish to achieve the same objectives and share the same values;
6. welcomes the Commission's reference to the key role played by local and regional authorities; stresses that communications and reports need to cover local and regional governance more effectively and in more detail, even if there is no separate chapter on the subject in the acquis, nor any established EU model for decentralisation and multilevel governance;
7. against the backdrop of new global challenges and the major changes taking place across the world, particularly in the immediate vicinity of the Western Balkan countries, notes that a continuous and public discussion of EU enlargement (through meetings, conferences, etc.) is needed at regional level and across Europe to ensure that the European prospects of these countries remain on the agenda;

8. believes that, as in the case of Commission decisions with a direct EU dimension, discussions and decisions on the enlargement strategy must take specific account of young people's prospects so as to convey to future generations that our current and future home — the European Union — guarantees all young people educational, cultural and employment opportunities;

9. welcomes the decision taken at the Paris summit (4 July 2016) to set up a regional youth cooperation office and the opening of that office, and calls for youth agencies from the new and successful Member States to become involved in this initiative;

10. strongly supports the establishment of annual economic reform programmes and, drawing on the experience of this process, recommends involving local and regional authorities and the public in developing budgetary plans and projects, since it is the local and regional level which sees how they are applied and put into practice;

11. stresses the important role of local and regional authorities in the overall enlargement information strategy; broad public support for enlargement is achievable if the potential benefits of enlargement are explained to society at grassroots level;

Rule of law and fundamental rights

12. notes that the rule of law, effective fundamental rights and honest and transparent politics are key requirements for enlargement; candidate countries and potential candidate countries are expected to take significant steps to meet these goals;

13. supports the 'fundamentals first' policy of the enlargement strategy, under which all candidate countries and potential candidate countries are supposed to step up their progress towards strengthening the rule of law and justice, guaranteeing fundamental rights, freedom and security and ensuring the protection of minorities and gender equality; highlights the importance of cooperation within and with the Council of Europe and its Congress of Local and Regional Authorities on fundamental rights, the rule of law and local democracy;

14. welcomes the focus on freedom of expression, but stresses that this must be accompanied by higher standards in political culture more generally, with the good conduct of policy-makers, primarily at local and regional level, being the best guarantee for progress in this respect (refraining from confrontation and provocations with neighbours, avoiding negative statements, sensitivity to the needs of vulnerable and disadvantaged groups, taking into account the situation of minorities, etc.);

15. considers freedom of the press to be essential for ensuring pluralism in a democratic society. The ownership structure of media outlets is a serious problem. In fact, unless citizens are guaranteed the right to independent information,, ensuring politically neutral and transparent governance and efforts to promote democracy generally are likely to prove problematic;

16. welcomes the establishment of the anti-corruption office in Montenegro as an example for all countries in the region and stresses the importance of tackling corruption in the public and private sectors at every level of government and society;

17. stresses that racism, xenophobia, extremism, radicalisation and terrorism must be tackled, as these phenomena undermine the values and rights of all people. It is important to carry out preventive work among young people to make them aware of the Member States' commitment to creating a secure world for young people, with good prospects for education and employment;

Economic development and connectivity

18. welcomes the support and resources offered to candidate countries and potential candidate countries, but this assistance must be sufficient and be used and administered in an efficient and transparent way;

19. welcomes the priority given to the connectivity agenda and regional initiatives (Berlin process etc.) adopted by the EU, which should be made more inclusive; stresses the need to involve local and regional authorities and national authorities in the candidate countries and potential candidate countries; call for the experiences of the new Member States to be taken into account and for EU experts, in particular, from these countries to be involved in the design and implementation of investment plans (in the areas of transport, energy, digital telecommunications, education, young people and other areas associated with digital development);

20. supports the national investment committees in the recipient countries of the Western Balkans in their efforts to create a single project pipeline, calls for better coordination of structural policy instruments and sees this as an opportunity to introduce digital development projects in the Western Balkan countries;

Regional cooperation among enlargement countries

21. welcomes and supports all positive developments in the relationships between candidate and potential candidate countries, particularly reconciliation and creating a climate of trust; however, calls for tangible progress in resolving outstanding issues and delivering long-term outcomes, while adhering to the principle of good neighbourly relations; urges local and regional authorities to better publicise their progress and initiatives in this process and welcomes the dissemination of useful practices and experiences;

22. draws attention to the potential of inter-municipal and cross-border forms of joint action, such as the 'Let's do it!' campaign to maintain a clean environment;

23. calls on the candidate and potential candidate countries to make use of the existing twinning and TAIEX programmes, to consider new forms of cooperation and to launch relevant initiatives;

24. welcomes the positive outcomes of the latest meetings of the joint consultative committees (JCCs) and working groups (WGs) of the European Committee of the Regions with these countries; praises the second enlargement day (1-2 June 2016) and recommends holding such events on a regular basis;

25. welcomes the Commission's initiative to hold 'Speak Up!' conferences and the campaign to organise conferences on the media in the region. These events are an opportunity to strengthen the media, including social media, both nationally and regionally, to compare the progress made by each country in the enlargement process and to make the best possible use of the results achieved by neighbours;

26. believes that the participation of the whole region in the same process has the potential to create momentum even in the Western Balkans, and that people can be persuaded that the success of one country means the success of all countries. So far, this has resulted in increased interest in neighbouring countries and cooperation with them, and to healthy competition and mutual support;

Migration

27. commends the Commission's decisive action on migration issues and on the decisions adopted in 2015 and 2016, because the current situation concerning refugees and economic migrants impacts the entire region, in particular the routes via the Western Balkans, which developed rapidly; no solutions can be found without joint efforts, solidarity and shared responsibility;

28. specifically welcomes the Commission's initiative to reform the Common European Asylum System (second package, 13 July 2016), which sets out detailed solutions (safe third country, country of first asylum, safe country of origin) for all groups affected by the migration crisis, including guarantees for unaccompanied minors seeking asylum and a legal aid system for asylum seekers;

29. welcomes the efforts being made by the Member States and, in particular, by the candidate countries to address the crisis and provide resources; points out that there is a need for continued support from the EU and for investment in connection with the reception and integration of migrants and refugees in the Western Balkans, in order to improve employment prospects there;

30. is grateful to all municipalities along the migration route for their invaluable help and cooperation to date, and encourages them to gather and pass on their experiences and to exchange best practices and knowledge that could be useful in the event of the unexpected arrival of vulnerable people; urges local authorities to support efforts to combat people smuggling and trafficking; at the same time stresses that the capacities of local authorities are limited and uneven, and that ways of giving them additional support need to be developed;

31. stresses that — in line with the priorities and measures set out in the Council conclusions of 2015 — there is still a need to take preventive action and to focus efforts primarily on refugees in legitimate need of international protection;

32. also expects the EU to step up participation and involvement in initiatives and policy measures that focus on migrants' countries of origin and aim to stem the flow of refugees being forced to leave their countries of origin and of economic migrants to Europe; at the same time, the peace processes in war zones need to be supported more effectively by means of diplomatic initiatives;

Turkey

33. takes note of the outcome of the 16 April referendum on changes to Turkey's constitution, and of the conclusions of the International Referendum Observation Mission according to which the two sides of the campaign did not have equal opportunities and that voters did not receive impartial information;

34. recalls the well-established international practice at local level whereby disputes over vote counting can be resolved by a partial recount, and recommends this course of action where appropriate and useful;

35. regrets that recent political developments in Turkey raise doubts about the Turkish Government's full commitment to the set of values and principles upon which the EU is founded, in particular the European Charter of Fundamental Rights, and notes that the continuation of the accession process is therefore in doubt;

36. calls on the Turkish Government to clearly and unambiguously reject the death penalty, and to give reassurances and demonstrable evidence that it is fully respecting the rule of law and the human rights of members of the Turkish opposition as well as the freedom and independence of the Turkish and international media;

37. calls on the Turkish national authorities to ensure that the implementation of any future constitutional changes does not undermine the principle of subsidiarity and the autonomy and capacity of Turkish local authorities;

38. considering Turkey's formal status as a candidate to join the EU, recalls its many invitations and encouragements to the Turkish government to establish a Joint Consultative Committee (JCC) with the CoR, in which elected representatives of local and regional government from both sides representing a balance of gender, geography and political views, can meet regularly and maintain a permanent dialogue; Believes that in a context of a continuing accession process Turkish and EU local and regional authorities would have much to gain from a formal relationship via a JCC;

39. recalls the plight of the nearly three million Syrian refugees currently in Turkey, and expresses its recognition of, and solidarity with the citizens and mayors, in particular along the Turkish border with Syria, who are having to find practical solutions to accommodate very large numbers of refugees, sometimes equivalent to the population of the municipality. Highlights that for any municipality, such challenges have a huge impact on different services such as water and waste management, schools, health services, transport and business, as well as the local infrastructure, and stresses that the situation is not sustainable;

40. takes note of the Turkish Government's complaints that the EU has not fulfilled its side of the 2016 deal reached in order to manage the flows of migrants and refugees travelling to Europe through Turkey and also notes that many provinces and municipalities have had to provide assistance to migrants and refugees without EU assistance. However, also points out that a very substantial financial assistance has been provided by the EU through humanitarian partner organisations to Syrian refugees in Turkey and that funds are disbursed on the basis of actual need and fulfilment of the engagements. Takes note of the integration challenges faced at the local level and underlines the important role that skills training can play in facilitating integration;

41. regrets that the promising talks on Cyprus appear to have stalled and believes that a successful conclusion of these talks would make an important contribution to help rebuilding some of the trust between Turkey and the EU;

42. firmly believes that an effective working relationship between local and regional authorities on both sides can also contribute — through the exchange of best practice on practical issues — to rebuilding some of the trust between Turkey and the EU;

43. confirms its intention to continue developing a dialogue with Turkish mayors within the relevant bodies of the CoR with a view to exchanging best practice and defending subsidiarity;

44. deplores the attempted coup and loss of lives and stands in solidarity with democratic institutions; expresses, however, its concern about the broad scale of measures taken since the coup attempt, such as the widespread dismissals, arrests, and detentions, especially the detentions and removal from office of elected mayors and their replacement by unelected 'mayors appointed by the central authorities' which seriously weakens pluralist democracy at the local level;

45. expects Turkey — especially as a candidate country — to respect the highest standards of democracy, rule of law and fundamental freedoms; it is particularly concerned by the continued backsliding in the independence and functioning of the judiciary, as well as in the area of freedom of expression; worries about the restrictions and measures targeting journalists, academics and human rights defenders, as well as frequent and disproportionate bans of media outlets and social media;

46. calls for the full and non-discriminatory implementation of the Additional Protocol to the EU-Turkey association agreement towards all EU Member States, including the Republic of Cyprus; calls on Turkey to commit itself unequivocally to good neighbourly relations with all its neighbours, and to the peaceful settlement of disputes in accordance with the UN Charter; in this context expresses serious concern and urges Turkey to avoid any kind of threat or action against Member States; stresses the need to respect the right of all Member States to enter into bilateral agreements and to explore and exploit natural resources in accordance with the EU acquis and international law, including the UN Convention on the Law of the Sea; stresses further the need to respect the sovereignty and sovereign rights of Member States over their EEZ, territorial sea and airspace;

47. calls on Turkey to begin withdrawing its forces from Cyprus and to transfer the sealed-off area of Famagusta to the UN in accordance with UNSC Resolution 550 (1984); stresses that such confidence-building measures would constitute a chance for economic, social and regional growth for both communities; notes that dialogue between civil society in local communities can foster the agreement;

Montenegro

48. welcomes the fact that Montenegro is committed to working towards EU accession, is making progress in this regard and has signed an accession protocol that will lead to it joining NATO in 2017; also welcomes the signature of border agreements with Bosnia and Herzegovina and Kosovo;

49. commends the active participation of voters and political parties in the parliamentary elections held in October 2016; their successful conclusion in difficult circumstances is thanks to the consistent introduction of the rule of law, and the results confirm existing domestic and foreign policies;

50. stresses that it is now important to put the rule of law and respect for fundamental rights on a firm footing at local level; expects that the establishment of an anti-corruption agency will provide impetus for the implementation of local anti-corruption action plans and that an effective monitoring system will be set up;

51. welcomes the efforts made with regard to the professional development of local civil servants, yet stresses the need for further progress (e.g. education and training and more transparent recruitment procedures based on the merit principle); welcomes the amendments adopted to the law on the financing of local self-government, and encourages further efforts to make local self-government financially self-sufficient;

Serbia

52. notes that, in 2016, Serbia held not only local and regional elections, but also snap parliamentary elections, which confirmed the increasing political diversity within society as well as the necessary majority support for the ruling party, which, having won the election, continues to treat EU accession as the top priority in a complicated foreign-policy situation;

53. encourages Serbia to press ahead with the reforms needed for accession, paying particular attention to the legal system and combating corruption; welcomes the establishment of a concrete action plan for implementing the individual chapters and the fact that Serbia is the first candidate country to introduce the EU's Gender Equality Index, which has drawn widespread attention;

54. welcomes the progress made in implementing the government's action plan for national minorities; is pleased to note that public statements made by the government's top representatives have been broadly tolerant of ethnic and other minorities;

55. welcomes the normalisation of relations between Serbia and Croatia and the Belgrade-Pristina dialogue (reopening of the Mitrovica Bridge), which is delivering tangible results for the people; calls for further progress in meeting commitments and implementing agreements, in order to strengthen cooperation and trust; urges authorities and opinion leaders to actively promote normalisation;

56. welcomes the public administration reform strategy and the training strategy for local self-government; takes a positive view of the work of the National Convention on European Integration and of the consultations undertaken at local level;

The former Yugoslav Republic of Macedonia

57. underlines that this country was the first to sign a Stabilisation and Association Agreement (SAA) and, in light of this, expresses its concern about the stalemate in the integration process, and in meeting commitments and implementing reforms. The CoR is concerned about the prolonged political crisis in the former Yugoslav Republic of Macedonia and calls for renewed political will by the country to accede to the EU, delivering on its commitments;

58. notes that, on the basis of the political agreement reached in June/July 2015 with international mediation and of the new agreements reached in July/August 2016, early parliamentary elections were held in December 2016 (with reruns in two districts that were a positive step towards re-establishing trust); it can be assumed that past policies will be continued, in particular the agreement to implement urgent policy reforms. The former Yugoslav Republic of Macedonia must fully implement the political agreement of June/July 2015 and take immediate and specific measures to promote and implement urgent priority reforms;

59. stresses that the decision on whether to recommend launching accession negotiations, in order to bring progress achieved so far to its logical conclusion, depends on the criteria set by the EU being fulfilled, in line with the conclusions of Council of the EU of December 2015 and the GAC conclusions of the Slovak Presidency (13/12/16);

60. takes note of the country's efforts to date to cope with the migration crisis, and stresses that all the associated problems should be resolved in cooperation with the EU and other international organisations; particularly emphasises that it remains crucially important to preserve good neighbourly relations, including the achievement of a mutually acceptable solution to the name issue, in the framework of talks under the auspices of the UN;

Albania

61. is pleased to note the relative progress made by Albania on key reform priorities. However, Albania must go further in implementing the reforms, particularly in sectors covered by the five key priorities, in a sustainable, comprehensive and inclusive way, focusing especially on the sector containing the rule of law and protection of human rights, including the rights of minorities. The judicial reforms unanimously adopted by Parliament on 22 July 2016 were of particular importance in this respect, as they open up new opportunities to better protect human rights (including anti-discrimination policy, the rights of minorities and economic rights throughout Albania), to clarify property rights, to improve the business and investment environment and to combat the shadow economy; also welcomes the anti-corruption strategy and action plan; calls for further progress in policy and legislative measures and proper implementation, together with measures to combat organised crime, including the production and trafficking of drugs, especially cannabis, and stresses how important it is for Albania to achieve tangible and sustainable results in these areas;

62. notes that Albania's progress in the accession process has been facilitated by its accession to NATO in May 2009, which has had a positive impact on the process of domestic reform and on improving relations between Albania and Greece;

63. notes that the local elections held in 2015 after the administrative reforms took place without major problems, but calls for greater impartiality and professionalism; furthermore, welcomes the ad hoc committee set up by Parliament concerning electoral reform; highlights the OSCE/ODIHR recommendations in this regard as well as those made by the CoE Congress/CoR Electoral Observation Mission calling for a de-politicisation of the public administration and ensuring impartiality; by the same token, trusts that the above recommendations will be put into effect in the next parliamentary elections, which must be free, fair and credible and must be conducted in accordance with international standards;

64. calls for the reform process to continue to be inclusive and to involve all political forces — including those from the minorities — and civil forces concerned, including the opposition and relevant stakeholders, and commends the work of the National Council on European Integration in this regard as a positive example;

65. also welcomes the fact that the members of the national Civil Society Council have been elected and that the council has started work;

Bosnia and Herzegovina

66. is pleased that the country is back on track in the integration process considering that a European perspective is a key incentive for the country; calls for further delivery on the Reform Agenda, as the entry into force of the SAA shows that commitments can deliver results;

67. is also pleased that Bosnia and Herzegovina submitted an application for EU membership on 15 February 2016 that provides impetus for both the country and the enlargement process; therefore stresses the need to keep up this momentum in order to be able to deliver the meaningful progress in implementing the reform agenda that will be necessary in order to advance along this path;

68. notes that the publication, on 30 June 2016, of the results of the October 2013 census helped the public to better understand the changes that the September 2016 local elections made to the political landscape, which is under constant pressure, including from outside the region;

69. urges all of Bosnia and Herzegovina's political decision makers to use the time following the elections to launch a new exchange of views with the EU and relevant international institutions, with a view to resolving historical problems and creating a new, positive atmosphere in interethnic relations; points out that, in the new political environment, the example set and initiative shown by the region's political decision makers and opinion leaders can do a great deal to promote development on the ground;

70. highlights the importance of coordination between all levels of government and administration in eliminating obstacles to the functionality of the country, to the effective implementation of the reform agenda, to mobility, investment and connections in various policy areas, and to the creation of a single economic area; points out that decentralisation does not mean fragmentation and that there is a need for coordinated framework strategies for implementing reforms at all levels; to this end, encourages the development of common goals that are compatible but move beyond individual interests;

71. is convinced that the coordination mechanism on EU issues set up in August 2016 will help to improve the cooperation of the country and its bodies with the EU and its institutions, and allow it to benefit fully from EU funding;

Kosovo ⁽¹⁾

72. welcomes the signing and ratification of the SAA and its entry into force on 1 April 2016, which signals a new chapter in Kosovo's relations with the EU; also welcomes the establishment of the Specialist Chambers; encourages Kosovo to continue the implementation of EU-related reforms (e.g. adoption of the human rights law package, entry into force of the European Reform Agenda) and other positive steps (e.g. normalisation process);

73. welcomes the results achieved in visa liberalisation, stresses the importance of meeting all relevant conditions set and encourages further progress;

74. stresses the importance for Kosovo to develop a peaceful and multilateral political dialogue in Parliament and local authorities in order to quickly improve the image of Kosovo on the international stage;

75. welcomes and supports the positive developments in the Belgrade-Pristina dialogue (reopening of the Mitrovica Bridge, telecommunications agreement), which are delivering tangible results for the people; calls for further progress in meeting commitments and implementing agreements, in order to strengthen cooperation and trust; urges authorities, political decision makers and opinion leaders to set a good example in promoting normalisation, so that the accession process can be launched smoothly.

Brussels, 12 May 2017.

*The President
of the European Committee of the Regions*

Markku MARKKULA

⁽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.

Opinion of the European Committee of the Regions — Entrepreneurship on Islands: contributing towards territorial cohesion

(2017/C 306/10)

Rapporteur: Marie-Antoinette Maupertuis (FR/EA), Executive member of the Corsican regional authority

POLICY RECOMMENDATIONS

THE EUROPEAN COMMITTEE OF THE REGIONS (CoR)

Introduction: specific challenges faced by island regions

1. welcomes the Maltese Presidency's request for our institution to be involved in identifying potential solutions to promote entrepreneurship and to boost islands' economic, social and territorial development;
2. recalls the European Union's undertaking to promote economic, social and territorial cohesion as set out in Article 174 of the Treaty on the Functioning of the European Union (TFEU);
3. recalls that Article 174 TFEU states that island regions are in need of particular attention from the EU, which shall aim to reduce disparities between the levels of development of the various regions within and between Member States;
4. recalls that there are 362 islands with over 50 inhabitants in the EU, accounting for a total of 17,7 million people (of whom 3,7 million live in the outermost regions); these islands' GDP per capita (in 2010) amounts to approximately 79,2 % of the EU average, and a significant proportion of them are still categorised as less developed regions;
5. notes that the great majority of these island regions did not experience economic convergence in the 2000s, according to the EUROISLANDS study (ESPON 2013), and that the situation has actually deteriorated for many of them since then due to the financial crisis, the migration crisis, changes in tourism habits and a lack of innovation;
6. stresses that these island regions have geographic, economic, demographic and social features that are unique to them (in comparison with mainland regions) and are shared across the various islands. These features throw up unique challenges when implementing European policies that affect them:
 - small size (in terms of area, population, economy);
 - distance and/or remoteness (physical distance and time needed to reach markets, particularly in relation to the single market and to large industrial, financial, political and population centres);
 - vulnerability (to economic, environmental and social threats);
7. emphasises that these three parameters create territorial, economic and social handicaps, as recognised in Article 174 TFEU, which hinder both the fair integration of islands in the single market, as well as the complete territorial integration of island populations; in particular, these conditions can lead to the following scenarios:
 - a local market that is limited and, in the case of archipelagos, fragmented and remote;
 - high transport costs for logistics, freight and insurance, on account of distance as well as instances of imperfect competition (oligopolies or even monopolies);
 - the inability to achieve economies of scale due to the small size of the market, which results in high unit costs for both businesses and public services;

- poorly developed inter-industrial relations due to a strong tendency to specialise in exploiting one resource, to produce one type of good or to provide one type of service;
 - a lack of qualified workers; or a tendency for qualified workers to leave islands in order to find adequate employment elsewhere;
 - a lack of entrepreneurial expertise, as entrepreneurs tend to leave islands to invest in more profitable markets;
 - a lack of infrastructure and services for businesses at a comparable level to mainland regions, e.g. in the field of telecommunications, training or risk capital;
8. welcomes the work done by the European Parliament intergroup on seas, rivers, islands and coastal areas, as well as by the commission of the Conference of Peripheral Maritime Regions of Europe (CPMR);

Inclusive growth — the contribution of island entrepreneurs

9. notes that entrepreneurs and entrepreneurship play an essential role in job creation and economic vitality in the European Union; island entrepreneurship, however, faces specific structural difficulties;
10. recalls that many island economies have implemented growth strategies based on harnessing economic, social, cultural and natural assets, such as:
- a subsistence economy, enabling people to be assured of a measure of wellbeing, especially in times of crisis;
 - the export of niche products guaranteeing the island's place in markets with high added value;
 - various forms of tourism, beyond solely mass tourism;
 - green energy initiatives, demonstrating the ability of small island communities to bring about an energy transition;
 - harnessing 'geostrategic' rents that are not affected by the constraints of small size or remoteness (scientific observatory, etc.);
 - the development of the new 'green' and 'blue' sectors of the economy, along with the development of new curricular content that provides the training required in these sectors;
11. stresses that these strategies to identify and harness unique economic assets are often the result of island entrepreneurs' creativity, risk-taking and resilience, and suggests keeping in mind the flexibility that is needed when developing public policy to boost island entrepreneurship;
12. notes that island economies are characterised by poorly diversified economies with a high proportion of SMEs or even VSEs, and a significant number of entrepreneurs who have several occupations; and that this ecosystem exists alongside a few large firms with a monopoly in specialised sectors (tourism, transport, mining, fisheries, etc.);
13. encourages the EU institutions and Member States to pay closer attention to maintaining a free market in individual sectors in island regions while ensuring that market failures are addressed;
14. recalls that island products — including raw materials — can be sold on niche markets to targeted customers and at a high price; the products' distinctiveness allows for sufficient profit margins to ensure that economic activity on the island is viable. Specifically, products' value is enhanced thanks to the recognition of quality symbols and cultural references in the global arena of goods and services;

15. underlines, however, the different types of additional cost borne by island entrepreneurs, precisely because of their island location (raw materials, provision of services, logistics, etc.) which ultimately constrain the competitiveness of products and services;

16. emphasises that even when the products are competitive and of good quality, entrepreneurs are faced with a lack of R&D capacities, technology tailored to islands, appropriate arrangements for financing their activities, and qualified workers due to high emigration, especially where the resident population is small;

17. welcomes, therefore, the steps taken at European Union level in these areas, but urges tailored measures to be put in place in order to improve basic conditions, enabling islands to contribute to inclusive growth within the EU. This means that any EU policy that aims to promote entrepreneurship must take into account islands' specific characteristics and challenges if it is to be fair and effective;

Policy recommendations to strengthen territorial cohesion in the European Union

18. recognises the essential importance of cohesion policy in terms of achieving balanced regional development within the European Union: it is the most appropriate policy for tackling development gaps between islands and other European regions; stresses, however, the fact that island regions do not enjoy special status in cohesion policy in its current form;

19. draws attention, furthermore, to the characteristics of the outermost regions (of which eight are islands) which face serious problems that are aggravated by their specific constraints as recognised in primary law and that impact on their economic and social development. These should be taken into account;

20. recommends, therefore, that islands should be a particular focus of post-2020 cohesion policy, pursuant to Articles 174 and 175 TFEU. A first step towards achieving this goal would be to add islands as an additional category in the proposal for a Regulation of the European Parliament and of the Council amending Regulation (EC) No 1059/2003 as regards the territorial typologies (Tercet);

21. recommends setting up a one-stop shop for the islands ('Island Desk') within the Directorate-General for Regional and Urban Policy at the European Commission, as suggested by the European Parliament in its resolution of 4 February 2016, as island stakeholders (businesses and communities) are currently unable to discern all EU instruments and funding opportunities, which are widely scattered across DGs and are subject to multiple regulations;

22. welcomes the Urban Innovative Actions initiative and, with this example in mind, suggests setting up a website and European initiatives dedicated to networking EU islands so as to enable experiences to be shared and administrative engineering and innovation to be pooled;

23. underlines that the maximum possible use should be made of synergies between the European Fund for Strategic Investments (EFSI) and other EU instruments (particularly the ESI Funds) in order to offset the economic impact of the natural handicaps that affect islands;

24. notes, however, that the small size of many island projects means that VSEs and local island communities seem in practice to be unable to access EFSI financing and EIB loans; therefore recommends developing technical assistance programmes specifically tailored to islands so as to raise awareness about EU funding instruments and to make them easier to access;

25. calls on the European Commission and the EIB to consider whether the technical assistance provided by JASPERS could be expanded to benefit islands and adapted to smaller scale projects;

26. stresses the usefulness and advantages of the EGTC regulation (1302/2013) for local and regional authorities and for the islands of Europe, given that this regulation allows the islands of various Member States and non-Member States to create a joint legal entity enabling them to pursue a common goal and to give them access to EU funding, while lightening the administrative burden that such cooperation would normally entail;

27. proposes the establishment of a system of operating assistance for island businesses to offset higher transport costs; given the guidelines on regional aid and the GBER, approval and exemption for such aid should be the same as for the outermost regions and sparsely populated areas;
28. proposes that more should be done to make use of the potential offered by the sharing economy, including in order to solve problems that are linked to island regions' geographic remoteness;
29. emphasises the importance of increasing the share of public intervention in projects that are part of EU programmes and making private intervention more attractive, where these projects create jobs and wealth on the island while also being environmentally sustainable;
30. stresses that many obstacles that are specific to island development are not captured by using per capita GDP as an indicator; therefore suggests broadening the range of complementary indicators used in the context of cohesion policy in order to more accurately determine islands' socio-economic circumstances and attractiveness;
31. suggests the Regional Competitiveness Index (RCI) and the accessibility index as indicators that could be used, but recommends further research to find other indicators enabling the additional costs faced by islands to be fully documented; calls for the Commission to carry out comparative studies on the performance of island businesses in relation to their counterparts on the mainland, even when the mainland consists solely of an island Member State;
32. calls for attention to be paid to non-financial and hard-to-measure aspects, including the natural environment (its quality and accessibility) when evaluating the socio-economic situation of island residents and determining the economic attractiveness of these areas;
33. acknowledges the usefulness of the annual report on European SMEs produced by the Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs; however, calls for future reports to include regional data in order to better understand the challenges faced by island SMEs, as well as their success/failure rate in relation to their counterparts on the mainland;
34. acknowledges the usefulness of tools such as territorial impact analysis (TIA) when assessing the impact of European policies on island regions, and suggests applying an 'island' clause as part of the European Commission's impact assessment procedure in order to forecast the potentially burdensome effect such policies can have on islands;
35. notes, that whilst the use of smart specialisation strategies (SSS) as an ex ante condition when allocating European structural funds (ESI Funds) can contribute towards the development of strategies at a national and regional level, the specific nature of island economies require tailor made solutions; in this regard the over-reliance on one particular sector or one single activity may result in a high risk of economic monoculture and the perverse economic impact that it entails ('Dutch disease');
36. considers that the Commission should give particular consideration to smart diversification or conversion initiatives, such as mass tourism to sustainable tourism, the development of creative industries, the integration of information and communication technologies into traditional activities, and targeted marketing that raises the profile of island resources;
37. calls for efforts to boost policies aimed at raising the awareness of the citizens of EU Member States of opportunities for tourism within the Community, and encourages the establishment of a stronger network of links between areas of the EU, enabling residents of the EU's metropolitan areas to holiday in island regions with natural attractions;
38. stresses the importance of the partnership principle, as set out in Article 5 of the Common Provisions Regulation, in order to define territories' needs with regard to the strategic planning of cohesion policy ('bottom-up approach'). To this end, the European Committee of the Regions calls on the European Commission to include the effective implementation of the European Code of Conduct on Partnership as an ex-ante condition in its legislative proposal for post-2020 cohesion policy;

39. urges Member States to ensure that the partnership principle is fully implemented in order to ensure that the specific needs of island regions are taken into account in partnership agreements and operational programmes;

40. stresses the need to involve local and regional authorities in defining national and European policies that affect them so as to bring regulatory frameworks governing intervention into line with islands' specific needs, in accordance with the principle of subsidiarity;

41. welcomes the funding possibilities offered by the Connecting Europe Facility (CEF), to the extent that they apply to islands; notes, however, that motorways of the sea (MoS) financing is focused on core and large-scale networks, and can neglect connections between islands and regional centres or between islands and other islands; proposes, therefore, that specific financing for islands should be earmarked within the overall MoS financial envelope;

42. acknowledges the efforts made by the Commission to support entrepreneurs via programmes such as COSME and InnovFin, within the framework of the Entrepreneurship 2020 Action Plan and Horizon 2020 in the field of innovation and the work on the Capital Markets Union. However, the Committee believes that the territorial dimension (and islands in particular) needs to be incorporated into these programmes and plans in order to:

- successfully involve island entrepreneurs;
- boost vocational training and upskilling within businesses located on islands;
- allow entrepreneurs greater access to capital, including risk capital;
- enable islands to be part of European and global networks for the creation and dissemination of scientific and technological knowledge, and to reap the rewards of this involvement in terms of market output and social well-being;

43. calls on the Commission to set up a programme to stimulate innovation processes in island economies, make use of local resources, provide support for the use of renewable energies, handle waste, manage water, promote cultural and natural heritage, and establish a circular economy; the term 'innovation' here covers technological, organisational, social and environmental innovation;

44. highlights the importance of state aid in addressing the challenges created by the small size, remoteness and isolation of the European Union's island regions. These natural and permanent characteristics constrain the effectiveness and organisation of various sectors that are strategically important for islands, such as transport, energy and digital connectivity;

45. recalls that reliable internal and external transport infrastructure and organisation — at a comparable cost to on the mainland — are necessary if an island is to develop and be economically competitive;

46. suggests that the eligibility criteria governing aid for infrastructure and transport networks (construction, modernisation, equipment) should be less stringent for islands, in order to enable the most effective possible interface with the mainland transport system and the best possible integration with the European area and market;

47. calls for this aid to facilitate inter-island connections in the case of archipelagos, or intra-island connections in the case of mountainous islands, and for it to promote investment in low-carbon modes of transport (LNG ships, stations for electric cars, etc.);

48. stresses that as island markets are often small and remote, mainland businesses are rather reluctant to supply goods or services there, which constitutes a real obstacle to island consumers' and businesses' access to the competitive benefits of the single market. This is particularly true for transport connections and energy supply, key sectors for island businesses to be competitive; recommends, therefore, that these sectors be able to benefit from exemptions regarding state aid in the case of islands;

49. in the same vein, also proposes that the de minimis Regulation could be more flexible in the case of islands, and that the public procurement stipulations could be relaxed as, in many cases, it is not possible to receive more than one tender when the consultation procedures are applied;
50. supports the flexibility that is currently used with regard to schemes enabling islands to benefit from specific tax incentives or a reduced corporate tax rate in order to offset the additional costs caused by being an island, and hopes that this flexibility will continue; advocates using a system of incentives for innovation and investment to boost production and — going beyond local consumption — to promote exports;
51. welcomes the fact that the European Commission intends to include a chapter on islands in the next report on cohesion. The European Committee of the Regions urges the Commission to use this chapter to show how the recommendations set out in this opinion will be implemented;
52. calls on the Maltese Presidency to follow up on these policy recommendations and to work closely with the Committee of the Regions to implement them.

Brussels, 12 May 2017.

*The President
of the European Committee of the Regions*
Markku MARKKULA

Opinion of the European Committee of the Regions on 'A new stage in the European policy on blue growth'

(2017/C 306/11)

Rapporteur: Christophe Clergeau (FR/PES), Member of Pays-de-la-Loire Regional Council

POLICY RECOMMENDATIONS

THE EUROPEAN COMMITTEE OF THE REGIONS (CoR)

1. calls on the European Union to make the sea a new common ambition at the heart of the process of relaunching European integration;
2. calls on the European Union to make the sea the subject of a fully-fledged policy rather than merely a project. Support for the blue economy can be a focal point of this maritime policy, as part of a broad-based, proactive approach covering all sectors and going beyond the five themes initially identified in the blue growth strategy;
3. calls on the European Union to act quickly to adopt an initiative to establish new policies and lay the basis for a new post-2020 maritime vision. The ministerial declaration on European maritime policy to be adopted in Malta on 20 April 2017 can and must be used as an opportunity for this;

1) THE SEA AT THE HEART OF EUROPE

4. calls on the European Union to develop a new European maritime policy, which:
 - has the support of the public, local authorities, the Member States and the European institutions,
 - is cross-cutting, mobilising all Community competences,
 - is based on more detailed knowledge of the sea to ensure its sustainable development and exploit its potential more effectively,
 - is able to support the entire value chain across the sectors of the blue economy, including fisheries, both on coastlines and inland,
 - focuses on the symbiosis between the different maritime activities and on consistent planning, from coastlines to international waters;

The sea concerns us all — it is Europe's new challenge and new inspiration

5. stresses that seas and oceans are essential to life on Earth. They produce 50 % of our oxygen, play a major role in climate regulation, and are a major store of biodiversity and resources for our food and our health;
6. regrets that the functioning of marine ecosystems is being undermined by climate change, pollution and overexploitation of resources;
7. points out that the blue economy has unrivalled potential for growth and employment. According to the European Commission, the maritime economy is increasingly job rich — it is currently estimated to provide 5 million jobs in Europe. The report entitled *The Ocean Economy in 2030*, published by the OECD in 2016, estimates that the maritime economy contributed EUR 1,3 trillion to the world's wealth in 2010, a figure which could double by 2030;
8. notes that maritime issues are the focus of increased attention at international level. The UN's September 2015 Sustainable Development Goals also specifically refer to oceans. In May 2016, the leaders of the G7 agreed to step up international cooperation on marine research. The theme of the oceans is addressed in the conclusions of COP 21 and 22;

9. points out that Europe is the world's leading maritime power and will remain so after Brexit. Together, the Member States of the European Union have the largest exclusive economic zone in the world. In sectors such as marine energy, the European Union has the most complete and most powerful economy in the world. It also has the highest environmental protection standards;

10. considers that Europe must assert itself in the international arena and make maritime policy an instrument of influence;

11. considers that an ambitious new European maritime policy could garner public support because:

- the sea is a new and fascinating subject, which is part of the life of most people,
- borders are of little significance when it comes to maritime affairs, and the European Union's added value is clear,
- the sea is the focal point of key societal choices in areas like combating climate change, the preservation of biodiversity, health and wellbeing, and food,
- the potential for growth and jobs linked to the blue economy concerns not only coastal regions but all the regions of the Union because its value chain involves and enriches our whole continent;

In 2017 the European Union must give the sea its proper place in its project for the future

12. points out that the integrated maritime policy and the blue growth policy have laid the foundations of a European maritime policy;

13. considers that the Maltese presidency offers an opportunity to give a new impetus to European maritime policy through the ministerial declaration of 20 April 2017;

The sea at the heart of Europe: an ambition and a roadmap

14. calls for the drafting of a white paper on 'The sea at the heart of Europe', incorporating a maritime roadmap for each European Union policy;

15. considers that the new phase of the European integrated maritime policy should contribute to Europe's responses to the following issues:

- the security of Europe's borders,
- management of migration,
- the development of a maritime policy for the EU's neighbourhood, the regulation of maritime trade and the governance of the oceans,
- protection of biodiversity, combating climate change and a successful energy transition, including the transition to renewable fuels for the various types of ships,
- the development of the blue economy in its various traditional sectors such as fisheries, aquaculture, tourism, the maritime industries and emerging sectors like marine energy and marine biotechnology,
- the reconciliation of activities and uses,
- a coastal and maritime policy based on the regions and local authorities,
- addressing the specific challenges of Europe's islands and overseas territories;

II) THE PARTNER REGIONS OF THE BLUE ECONOMY

16. stresses that the blue economy takes shape in the regions. Maritime policy should therefore support the mobilisation of regions and cities;

An organised and coherent maritime territory is the foundation of the blue economy

17. considers that spatial planning is essential, and that it must include land-sea interactions and involve cities and regions as well as all stakeholders, pursuing the sustainable development of all maritime activities;

18. believes that the development of infrastructure in coastal areas, which are by definition outlying areas, must be a priority for Europe. It should therefore be possible, for the benefit of coastal areas in all regions, to draw on Cohesion Policy and Juncker Plan funds specifically to invest in ports and very high-speed broadband;

19. calls for a debate on the recognition of a European maritime area so as to strengthen cohesion in social, environmental and security terms;

The regions — partners of the European Union in investing in the blue economy

20. considers that the sea basin strategies are essential reference frameworks. They are one of the elements to be taken into account for the development of smart specialisation strategies and the programming of European funds. The ongoing development of the West Med Maritime Initiative should be welcomed;

21. believes that smart specialisation strategies should enable several regions within the same sea basin to establish joint smart specialisation strategies (S3) on their own initiative;

22. underlines that regions and cities are key players in the development of the blue economy. A large number of regions have included blue growth issues in their smart specialisation strategies. The mobilisation of the EMFF and the Cohesion Policy funds has made it possible to finance many job creation projects;

23. proposes, in order to give a fresh boost to investment in the blue economy, that an appendix on the blue economy be attached to smart specialisation strategies and operational programmes, making it possible to present the impact of policy choices on maritime issues and to monitor the relevant projects;

24. suggests that the local communities of islands and coastal regions should be able to make use of all EU funds, including the EMFF, to finance their maritime development strategies within a single framework, based on the model of the Leader programme;

25. believes that the choices reflected in the smart specialisation strategies, which reflect the reality of the maritime economy, based on synergies between stakeholders and sectors, need to be monitored over time and must act as the EU's reference point for guiding its blue growth investments. In particular, the European research policy will need to take better account of these regional efforts to stimulate the blue economy;

26. calls for interregional, national and transnational projects that are consistent with the sea basin strategies and the S3 to be eligible for financing through the pooling of regional, national and European funds within a simplified framework and to qualify for a community bonus, without the need for new calls for projects;

27. considers that the outermost regions should continue to have a specific framework to support their development. These territories form an excellent basis for asserting Europe's maritime dimension and building maritime cooperative ventures around the world;

III) SPECIFIC PROJECTS TO ACCELERATE THE DEVELOPMENT OF THE BLUE ECONOMY

Reinforcing support for research, development and innovation

28. stresses that the sea has gradually been finding a new place in the Horizon 2020 programme. Initiatives such as the Joint Programming Initiative for Healthy and Productive Seas and Oceans have also contributed to European marine research. This method must be extended to all sectors of the blue economy by means of a comprehensive R&D roadmap; The Committee highlights the importance of specific support for SMEs that intend to develop and apply innovative solutions in various sectors, including coastal and maritime tourism;

29. calls for the next Framework Programme to have a target of 10 % of projects making a significant contribution to marine and maritime research objectives; The continued implementation of Horizon 2020 should itself allow progress towards this goal;

A maritime roadmap in the framework of the New Skills Agenda for Europe

30. calls for the development of a maritime strand for the Skills Agenda;

31. proposes launching a debate at European level on the benefits of financing a pilot project to explore the deep ocean floor and exploit its potential;

32. stresses that in maritime industries, it is often the case that innovation can only be tested once an initial product has been launched on the market. Community innovation policies must enable such demonstration projects to be financed. It is also important to relaunch the public-private partnership on cross-cutting technologies for maritime industries;

33. considers that initiatives such as Blue Careers, launched in the framework of the EMFF, and the future development of a maritime blueprint initiative must be stepped up so as to:

- enhance knowledge of, and the attractiveness of, maritime vocations,
- improve working conditions and career prospects,
- foster European mobility for young people in training,
- offer lifelong further training pathways to bring a maritime dimension to existing vocations and orient the traditional maritime vocations towards new opportunities;

34. calls for the European system for the mutual recognition of vocational qualifications to be strengthened in order to facilitate free movement and provide a framework for posted workers. The system must be supplemented by similar arrangements for the recognition of skills and competences for which there are no formal qualifications ⁽¹⁾;

Supporting the key sectors of the blue economy

35. takes the view that Europe should also invest heavily in sectors such as maritime industries and marine biotechnologies where the challenge is to attain world leadership;

36. considers that Europe should also support the blue economy in the digital, environmental and energy transitions, as well as the modernisation of traditional sectors like fisheries and nautical and coastal tourism ⁽²⁾;

37. stresses that it is important for the European Union to support the development of marine biotechnologies based on the exploitation of algae and micro-algae, fish, shellfish and marine bacteria. Marine biotechnologies offer very significant, emerging economic potential for many European regions. The EU's support must cover research, research infrastructure projects and the creation of networks between such projects and with businesses, as well as access to capital, development and the launch of innovative products on the market;

⁽¹⁾ See SEDEC opinion CdR 2881/2016 on posted workers.

⁽²⁾ See previous opinions CDR 2645/2014, CDR 5241/2015 and CDR 2898/2016.

38. stresses the important role played by fisheries and aquaculture, and activities relating to catching, breeding, processing and marketing of derived products, in supporting Europe's regional economies and in providing food for the European population. Fisheries and aquaculture are also sectors of the future, and the EU's support for them must be based on a positive and ambitious vision for jobs and training, especially for young people. As part of measures to put the new Common Fisheries Policy into practice, the EU should work together with economic operators and public authorities, especially regions, in order to speed up and facilitate implementation of the EMFF, which is experiencing significant delays;

39. stresses the need to pursue an integrated approach to developing marine products, by creating short supply chains including producers and by strengthening industrial processing activities in coastal areas. This strategy of creating value and jobs around marine products in coastal areas must become a priority objective and receive more funding from both the EMFF and the Cohesion Policy;

40. proposes the establishment of a European 'maritime start-ups' system to support economic, social and territorial innovation projects;

41. stresses that many activities of the future will have to be based on the development of new infrastructure at sea, away from coasts. A special programme could explore the benefits of new reversible infrastructure projects, and study their environmental impact and any issues relating to their energy autonomy;

42. considers that ports are an essential basis for the development of the blue economy. They require support in order to be able to respond to the needs of new activities and to do this in a networked way, wherever possible. Their balance also depends on the dynamism of trade based on long-sea and short-sea shipping and the development of motorways of the sea;

43. points to the clear positive impact of blue growth on maritime and coastal tourism in the regions. In particular, supports initiatives which successfully promote forms of sustainable and responsible tourism in economic, social and environmental terms;

44. underscores the importance of putting the concept of the circular economy into effect in the blue economy, particularly with a view to reducing waste and pollutants in the seas and converting them into a useful resource;

Making the most of European leadership in marine energy (offshore wind and ocean energy)

45. considers that the European Union must give priority to the industrial development of renewable energies. To that end, the objectives of renewable energy production in Europe must go beyond the 27 % by 2030 target currently proposed by the Commission. The principle of technological neutrality needs to be made more flexible in order to give specific priority to the industrial development of the renewable energy sector, in which Europe is capable of attaining global leadership, thus creating many jobs;

46. would like funding measures (such as NER300) for R&D and demonstration projects to continue, and calls for improved financing of the initial stages of marketing;

47. emphasises that development of marine energy is based on a core set of cross-cutting skills and technologies which have been passed down from major, well established industries, such as oil and gas and shipbuilding. There is a need for stronger support for innovation and diversification in these industries. In this respect, the 'LeaderSHIP 2020' policy paper on shipbuilding and maritime industries must lead to a European roadmap being drawn up which cuts across the various Community policies;

48. would like the European Union to focus on the following objectives over the next five years:

- The competitiveness of the offshore wind energy sector and its progress towards becoming profitable without relying on subsidies;
- The development of the floating wind turbine market, the international mass market and the tidal power market — a niche sector in which Europeans are very well placed;
- Technologies promoting the development of energy autonomy in islands and remote regions, especially in tropical zones and overseas territories;

Maritime platforms for supporting and financing projects and a European fund for investment in the blue economy

49. welcomes the fact that the Juncker plan has already made it possible to finance many blue economy projects;
50. considers it necessary to expand this support to fill the investment gap for the many potential projects in the regions, to develop methods for more effective risk financing, which is important in an innovative sector like the blue economy, and to give priority to SMEs and start-ups;
51. proposes the establishment of regional or inter-regional blue economy platforms. These platforms would provide a mechanism for identifying projects, providing support for their implementation, and for the mobilisation of local, national and European financial tools. They would be managed by the regions, with the involvement of the maritime economy sectors, the Member States and the European Union, and their operation could be financed by these three actors, as well as by private partners. These platforms could be important partners in the deployment of the Juncker plan 2.0;
52. calls for the establishment of a European blue economy investment fund/mechanism. This fund, a maritime Juncker plan 2.0, could have two complementary intervention methods:
- direct financing at European level of structural and high-risk projects covering, for example, the initial phases of marketing for marine energy projects,
 - the establishment of regional investment funds, at the level of regional or interregional blue economy platforms, fed by European funds and local partners, including banking and financial partners. In the framework of these funds, the EFSI must contribute significantly to risk financing and not offload this on local partners;

IV) A POLITICAL AND CITIZENS' MARITIME EUROPE**A European mobilisation programme — The Citizen and the Sea**

53. considers that Europe must discuss the sea more directly with the public. Debates on issues concerning the sea will held in the framework of the European Committee of the Regions' dialogue with the public;
54. calls for a programme to be set up to research the cultural and maritime heritage of Europe and its coastal areas and to raise awareness of it;
55. proposes that a European programme — Children and the Sea — be developed in order to foster a common awareness of maritime issues and to arrange exchanges between children of coastal and non-coastal regions;
56. considers that a new debate should be launched on the appropriateness of funding one or more European ocean exploration centres, which would be both scientific missions and a symbol capable of galvanising public interest in our oceans;

Reinforcing knowledge of the sea and the blue economy

57. stresses that there is a great need for knowledge of coastlines and oceans. Such knowledge is essential to drive sustainable maritime development aimed at increasing economic, technological, environmental, human and social capital;
58. reminds the European Commission about its call to create a knowledge and innovation community focused on the blue economy, which would encourage the transfer of ideas from marine research to the private sector⁽³⁾;
59. proposes that the EU sponsor a 'European maritime exhibition', straddling culture, science, the environment and the economy, for example along the lines of the 'La Mer XXL' exhibition due to take place in Nantes in 2018;

⁽³⁾ CdR 4835/2014.

60. considers it necessary to integrate into Horizon 2020 and the future Framework Programme a European strategy for knowledge of marine biodiversity and the ocean floor, and for the acquisition of maritime and coastal data, e.g. bathymetric data;

61. notes that, following studies carried out by the European Commission and the European Committee of the Regions on the knowledge deficit regarding the blue economy, it is now necessary to set up a European resource centre on the blue economy in partnership with the Member States, the regions, Eurostat and the Joint Research Centre;

A new governance for European maritime policy

62. proposes that maritime affairs become the responsibility of a vice-president of the European Commission, who would be assisted by a task force and would be responsible for the preparation and cross-cutting implementation of the White Paper on 'The sea at the heart of Europe';

63. considers that maritime affairs should be the subject of biannual meetings of a Council formation dedicated to the sea. The European Parliament and the European Committee of the Regions should together consider changes in their governance of maritime issues;

64. considers that the political priority given to the sea should be reflected in the multiannual financial framework, through the EMFF insofar as it relates to fisheries, maritime policy and the territorial approach, but also more broadly within the different European policies and programmes;

65. considers that the pursuit of a new EU maritime policy calls for greater recognition of maritime stakeholders as well as a bigger role for them in debates and decisions. Where appropriate, the framework for these stakeholders at European level would also need to be supported. The cross-cutting approach specifically adopted by regional, national and European clusters should be promoted;

66. calls on the regions and cities to mobilise to demonstrate the potential of the blue economy and the existence of a significant number of realistic, value-creating projects to be financed over the next few years;

The UK's exit from the EU will require the EU to be more ambitious in maritime affairs

67. stresses that a UK exit from the EU would directly affect European maritime policies. It will be necessary to accurately measure its impact on the cities and regions most affected and on the Union's public policies, and to develop the necessary adaptation measures. It will in particular be necessary to adapt national and European sovereignty and security mechanisms to the emergence of new European Union sea borders;

68. requests that, in the framework of the negotiations, the European Union protect the interests of its economy and its maritime areas. It must prevent the appearance on its borders of a platform for social and tax dumping and deregulation which would affect the economy and maritime resources. It must also work to safeguard the interests of its fishermen within the framework of international law;

69. with this in mind, considers that it would be particularly useful for maritime stakeholders in Europe to continue cooperating closely in light of the shared maritime area and the shared interest in the protection and conservation of marine ecosystems, and to promote a global market economy that is fair and accessible to everyone, provided that this is feasible in the context of the United Kingdom's withdrawal from the EU and respects its overall coherence.

Brussels, 12 May 2017.

*The President
of the European Committee of the Regions*

Markku MARKKULA

III

(Preparatory acts)

COMMITTEE OF THE REGIONS

123RD PLENARY SESSION, 11-12 MAY 2017

Opinion of the European Committee of the Regions on the financial rules applicable to the general budget of the Union

(2017/C 306/12)

Rapporteur: Michiel Rijsberman (NL/ALDE), Regional Minister of the Province of Flevoland**Reference document:** Proposal for a Regulation of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union and amending Regulation (EC) No 2012/2002, Regulations (EU) No 1296/2013, (EU) 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1305/2013, (EU) No 1306/2013, (EU) No 1307/2013, (EU) No 1308/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, (EU) No 652/2014 of the European Parliament and of the Council and Decision No 541/2014/EU of the European Parliament and of the Council

COM(2016) 605 final

I. RECOMMENDATIONS FOR AMENDMENTS

Amendment 1

Article 27

Modify paragraph 1

Text proposed by the Commission	CoR amendment
Any institution other than the Commission may, within its own section of the budget, transfer appropriations:	Any institution other than the Commission may, within its own section of the budget, transfer appropriations:
(a) from one title to another up to a maximum of 10 % of the appropriations for the year shown on the line from which the transfer is made;	(a) from one title to another up to a maximum of 10 % of the appropriations for the year shown on the line from which the transfer is made;
(b) from one chapter to another without limit.	(b) from one chapter to another without limit;
	(c) <i>from year n to year n+1 up to a maximum of 10 % of the total appropriations of the institution's budget to transfer unused appropriations from all budget lines to specific budget lines, which are meant to finance the institution's building projects as defined in Article 258 paragraph 5.</i>

Reason

In order to use all means available in the budget, unused appropriations should be allowed to be transferred to the following year for paying rent, loans for buildings or for maintenance of the institution's building (a definition of building projects can be found in Art. 258(5)).

Amendment 2

Article 39

Modify paragraph 3

Text proposed by the Commission	CoR amendment
<p>(...) The Commission shall attach to the draft budget</p> <p>(a) the reasons for which the draft budget contains different estimates from those drawn up by other institutions;</p> <p>(b) any working document it considers useful in connection with the establishment plans of the institutions. Any such working document, showing the latest authorised establishment plan, shall present:</p>	<p>(...) The Commission shall attach to the draft budget</p> <p>(a) a comparative table including the Commission's draft budget for the other institutions and the other institutions' original financial requests as sent to the European Commission;</p> <p>(b) the reasons for which the draft budget contains different estimates from those drawn up by other institutions;</p> <p>(c) any working document it considers useful in connection with the establishment plans of the institutions. Any such working document, showing the latest authorised establishment plan, shall present:</p> <p>(...)</p>

Reason

The issue raised in this amendment is important for the CoR as an institution. This amendment seeks to oblige the Commission to add to its proposal for the budget the original budget as adopted by the different institutions (e.g. CoR plenary) so that the unilateral changes made by the Commission become visible and transparent. This would increase the CoR's margin of negotiation with the Parliament and Council as part of the budgetary procedure.

Amendment 3

Article 123

Modify

Text proposed by the Commission	CoR amendment
<p>Article 123</p> <p>Cross-reliance on audits</p> <p>Where an audit is based on internationally accepted standards providing reasonable assurance has been conducted by an independent auditor on the financial statements and reports setting out the use of the Union contribution, that audit shall form the basis of the overall assurance, as further specified, where appropriate, in sector specific rules.</p>	<p>Article 123</p> <p>Cross-reliance on audits</p> <p>Where an audit based on internationally accepted standards providing reasonable assurance has been conducted by an independent auditor on the financial statements and reports setting out the use of the Union contribution, that audit shall form the basis of the overall assurance, as further specified, where appropriate, in sector specific rules. Information already available at the management authority should be used to the extent possible to avoid asking beneficiaries for the same information more than once.</p>

Reason

Excessive audit requirements lead to major risks for both regional administrations and SMEs. Simplification should reduce the audit burden for beneficiaries and limit audit to one audit authority only. First level of control instead of going back to the beneficiary and creating a control pyramid instead a control tower.

Amendment 4

Article 125

Modify

Text proposed by the Commission	CoR amendment
<p>Article 125</p> <p>Transfer of resources to instruments established under this Regulation or sector specific Regulations</p> <p>Resources allocated to Member States under shared implementation may, at their request, be transferred to instruments established under this Regulation or under sector specific Regulations. The Commission shall implement these resources in accordance with point (a) or (c) of Article 61(1), where possible for the benefit of the Member State concerned. In addition resources allocated to Member States under shared implementation may at their request be used to enhance the risk-bearing capacity of the EFSI. In such cases, EFSI rules shall apply.</p>	<p>Article 125</p> <p>Transfer of resources to instruments established under this Regulation or sector specific Regulations</p> <p>Resources allocated to Member States under shared implementation may, at their request and with the explicit consent of the local and regional authorities and Managing Authorities concerned, be transferred to instruments established under this Regulation or under sector specific Regulations. The Commission shall implement these resources in accordance with point (a) or (c) of Article 61(1), where possible for the benefit of the relevant areas (regions and/or local level) of the Member State concerned. In addition resources allocated to Member States under shared implementation may at their request be used to enhance the risk-bearing capacity of the EFSI. In such cases, EFSI rules shall apply.</p>

Reason

This addition brings Article 125 in line with amendment 6 of the CoR opinion on this point.

Amendment 5

Article 265

Modify paragraph 6

Text proposed by the Commission	CoR amendment
<p>The following Article 30a is inserted:</p> <p>'Article 30a</p> <p>1. Part of a Member State ESI Funds allocation may, at the request of that Member State and in agreement with the Commission, be transferred to one or several instruments established under the Financial Regulation or under sector specific Regulations or to enhance the risk-bearing capacity of the EFSI in accordance with Article 125 of the Financial Regulation. The request to transfer the ESI Funds allocation should be submitted by 30 September.</p>	<p>The following Article 30a is inserted:</p> <p>'Article 30a</p> <p>1. Part of a Member State ESI Funds allocation may, at the request of that Member State in accordance with Article 5(1) of this regulation, and in agreement with the Commission, be transferred to one or several instruments established under the Financial Regulation or under sector specific Regulations or to enhance the risk-bearing capacity of the EFSI in accordance with Article 125 of the Financial Regulation. Such a request can be made at the initiative of the local and regional authorities and Managing Authorities concerned. The request to transfer the ESI Funds allocation should be submitted by 30 September.</p>

Text proposed by the Commission	CoR amendment
<p>2. Only financial appropriations of future years in the financial plan of a programme may be transferred.</p> <p>3. The request shall be accompanied by a proposal to amend the programme or programmes from which the transfer will be made. Corresponding amendments to the programme and to the partnership agreement shall be made in accordance with Article 30(2) which shall set out the total amount transferred for each relevant year to the Commission.'</p>	<p>2. Only financial appropriations of future years in the financial plan of a programme may be transferred.</p> <p>3. The request shall be accompanied by a proposal to amend the programme or programmes from which the transfer will be made. Corresponding amendments to the programme and to the partnership agreement shall be made in accordance with Article 30(2) which shall set out the total amount transferred for each relevant year to the Commission.</p> <p>4. The Commission shall verify and grant a transfer of resources only if the request submitted by the Member State is also supported and accepted by the local and regional authorities and Managing Authorities concerned.</p> <p>5. Part of one or several financial instruments established under the Financial Regulation or allocations under sector-specific Regulations or allocations to enhance risk-bearing capacity of the EFSI in accordance with Article 125 of the Financial Regulation may, under the same conditions as mentioned in paragraph one, be transferred to ESI Funds.'</p>

Reason

The CoR supports the call for more flexibility, but recognises the risk inherent to Article 30a, e.g. in terms of centralisation and subsidiarity. LRAs would therefore support the deletion of article 30a in the course of the trilogue. In the case Article 30a persists however, it is crucial to the CoR that LRAs and MAs are to give their express consent for any transfer of resources to be approved. Transfers should not be stimulated out of subsidiarity reasons and the need for structural investments.

Amendment 6

Article 265

Modify paragraph 13.2

Text proposed by the Commission	CoR amendment
<p>13. The following Article 39a is inserted:</p> <p>(...)</p> <p>2. The contribution referred to in paragraph 1 shall not exceed 25 % of the total support provided to final recipients. In the less developed regions referred to in point (b) of Article 120(3), the financial contribution may exceed 25 % where duly justified by the <i>ex ante</i> assessment, but shall not exceed 50 %. The total support referred to in this paragraph shall comprise the total amount of new loans and guaranteed loans as well as equity and quasi-equity investments provided to final recipients. The guaranteed loans referred to in this paragraph shall only be taken into account to the extent that ESI Funds resources are committed for guarantee contracts calculated on the basis of a prudent <i>ex ante</i> risk assessment covering a multiple amount of new loans.</p> <p>(...)</p>	<p>13. The following Article 39a is inserted:</p> <p>(...)</p> <p>2. The contribution referred to in paragraph 1 shall not exceed 25 % of the total support provided to final recipients. In the less developed and transition regions referred to in point (b) of Article 120(3), the financial contribution may exceed 25 % where duly justified by the <i>ex ante</i> assessment, but shall not exceed 50 %. The total support referred to in this paragraph shall comprise the total amount of new loans and guaranteed loans as well as equity and quasi-equity investments provided to final recipients. The guaranteed loans referred to in this paragraph shall only be taken into account to the extent that ESI Funds resources are committed for guarantee contracts calculated on the basis of a prudent <i>ex ante</i> risk assessment covering a multiple amount of new loans.</p> <p>(...)</p>

Reason

This measure in the Omnibus Regulation is designed to enable the use of Structural Fund resources to support EFSI Investment Platforms. This proposal extends the geographical scope of the additional flexibility to secure a contribution of ESIF of more than 25 % of the total support where it is justified by the *ex ante* assessment.

This will allow greater flexibility in the design of funds to reflect sectoral and local conditions, whilst retaining sufficient control over misuse of the flexibility through the requirement for any leverage over 25 % being justified by an *ex ante* assessment.

Amendment 7

Article 265

Modify paragraph 13.6

Text proposed by the Commission	CoR amendment
<p>13. The following Article 39a is inserted:</p> <p>(...)</p> <p>6. When implementing financial instruments under point (c) of Article 38(1), the bodies referred to in paragraph 2 of this article shall ensure compliance with applicable law, including rules covering the ESI Funds, State aid, public procurement and relevant standards and applicable legislation on the prevention of money laundering, the fight against terrorism, tax fraud and tax evasion. Those bodies shall not make use of or engage in tax avoidance structures, in particular aggressive tax planning schemes or practices not complying with tax good governance criteria as set out in EU legislation including Commission recommendations and communications or any formal notice by the latter. They shall not be established and, in relation to the implementation of the financial operations shall not maintain business relations with entities incorporated in jurisdictions that do not co-operate with the Union in relation to the application of the internationally agreed tax standards on transparency and exchange of information. Those bodies may, under their responsibility, conclude agreements with financial intermediaries for the implementation of financial operations. They shall transpose requirements referred to in this paragraph in their contracts with the financial intermediaries selected to participate in the execution of financial operations under such agreements.</p>	<p>13. The following Article 39a is inserted:</p> <p>(...)</p> <p>6. When implementing financial instruments under point (c) of Article 38(1), the bodies referred to in paragraph 2 of this article shall ensure compliance with applicable law, including rules covering the ESI Funds, State aid, public procurement and relevant standards and applicable legislation on the prevention of money laundering, the fight against terrorism, tax fraud and tax evasion. Those bodies shall not make use of or engage in tax avoidance structures, in particular aggressive tax planning schemes or practices not complying with tax good governance criteria as set out in EU legislation, Council conclusions or Commission recommendations and communications or any formal instruction issued by the Commission on that basis. They shall not be established and, in relation to the implementation of the financial operations shall not maintain business relations with entities incorporated in jurisdictions that do not co-operate with the Union in relation to the application of the internationally agreed tax standards on transparency and exchange of information. Those bodies may, under their responsibility, conclude agreements with financial intermediaries for the implementation of financial operations. They shall transpose requirements referred to in this paragraph in their contracts with the financial intermediaries selected to participate in the execution of financial operations under such agreements.</p>

Reason

The CoR feels that only binding legislation will provide the necessary legal certainty on tax avoidance provisions. Further to discussions between DG budget and the rapporteur, DG budget acknowledged the request of legal certainty by CoR and accepted to align the wording and use the term ‘formal instruction’.

Amendment 8

Article 265

Modify paragraph 16

Text proposed by the Commission	CoR amendment
<p>In Article 42, in paragraph 5, the first subparagraph is replaced by the following:</p> <p>(...)</p>	<p>Article 42 is amended as follows:</p> <p>(a) <i>in paragraph 3, the first subparagraph is replaced by the following:</i></p> <p><i>In the case of equity-based instruments targeting enterprises referred to in Article 37(4) for which the funding agreement referred to in point (b) of Article 38(7) was signed before 31 December 2018, which by the end of the eligibility period invested at least 55 % of the programme resources committed in the relevant funding agreement, a limited amount of payments for investments in final recipients to be made for a period not exceeding four years after the end of eligibility period may be considered as eligible expenditure, when paid into an escrow account specifically set up for that purpose, provided that State aid rules are complied with and that all of the conditions set out below are fulfilled.</i></p> <p>(b) <i>in paragraph 5, the first subparagraph is replaced by the following:</i></p> <p>(...)</p>

Reason

The only item that is proposed to change is 2017 (into 2018). In order to account for these financial instruments despite the end of eligibility period being end-2023, the CPR provided that under certain circumscribed conditions, monies may be earmarked for spending after closure, provided that the relevant funding agreement was entered into by 31 December 2017.

In light of the lead-time to the signature of funding agreements with fund managers, the deadline of end-2017 is considered as unattainable in practice, thereby discouraging a number of Managing Authorities from meaningfully steering their ESIF allocations towards addressing the particularly promising fields targeted by equity funds.

Strong market intelligence suggests that a considerable number of ESIF equity investments could be supported in Europe — with sizeable impacts on jobs and growth — if the deadline was prolonged to 31 December 2018, without amending any of the other parameters securing ESIF against the risk of ‘parking of funds’.

Amendment 9

Article 265

Modify paragraph 17

Text proposed by the Commission	CoR amendment
<p>17. The following Article 43a is inserted:</p> <p>‘Article 43a</p> <p>Differentiated treatment of investors</p> <p>1. Support from the ESI Funds to financial instruments invested in final recipients and gains and other earnings or yields, such as interest, guarantee fees, dividends, capital gains or any other income generated by those investments, which are attributable to the support from the ESI Funds, may be used for differentiated treatment of private investors, as well as the EIB when using the EU guarantee pursuant to Regulation (EU) 2015/1017. Such differentiated treatment shall be justified by the need to attract private counterpart resources.</p> <p>2. The need and the level of differentiated treatment as referred to in paragraph 1 shall be established in the ex ante assessment.</p> <p>(...)</p>	<p>17. The following Article 43a is inserted:</p> <p>‘Article 43a</p> <p>Differentiated treatment of investors</p> <p>1. Support from the ESI Funds to financial instruments invested in final recipients and gains and other earnings or yields, such as interest, guarantee fees, dividends, capital gains or any other income generated by those investments, which are attributable to the support from the ESI Funds, may be used for differentiated treatment of private investors, as well as the EIB when using the EU guarantee pursuant to Regulation (EU) 2015/1017. Such differentiated treatment shall be justified by the need to attract private counterpart resources. (...)</p>

Reason

This paragraph is redundant, as this is already stated in article 37, paragraph 2c: ‘Such *ex ante* assessment shall include [...] as appropriate an assessment of the need for, and level of, differentiated treatment to attract counterpart resources from private investors’. The paragraph should therefore be deleted.

Amendment 10

Article 265

Modify paragraph 24

Text proposed by the Commission	CoR amendment
<p>Article 61 is amended as follows:</p> <p>In paragraph 3, a new point (aa) is inserted after point (a):</p> <p>‘application of a flat rate net revenue percentage established by a Member State for a sector or sub-sector not covered under point (a). Before the application of the flat-rate the responsible audit authority shall satisfy itself that the flat-rate has been established according to a fair, equitable and verifiable method based on historical data or objective criteria.’</p>	<p>Article 61 is amended as follows:</p> <p>In paragraph 3, a new point (aa) is inserted after point (a):</p> <p>‘application of a flat rate net revenue percentage established by a Member State for a sector or sub-sector not covered under point (a). Before the application of the flat-rate the responsible managing authority — with the prior consent of the audit authority shall ensure that the flat-rate has been established according to a fair, equitable and verifiable method based on historical data or objective criteria.’</p>

Reason

There should be approval in advance of the flat rate (method), otherwise this provision doesn't provide any legal certainty.

Amendment 11

Article 265

Modify paragraph 26

Text proposed by the Commission	CoR amendment
<p>26. Article 67 is amended as follows:</p> <p>(...)</p> <p>(ii) point (e) is inserted:</p> <p>(e) financing which is not linked to costs of the relevant operations but is based on the fulfilment of conditions related to the realisation of progress in implementation or the achievement of objectives of programmes. The detailed modalities concerning the financing conditions and their application shall be set out in delegated acts adopted in accordance with the empowerment provided for in paragraph 5.</p>	<p>26. Article 67 is amended as follows:</p> <p>(...)</p> <p>(ii) point (e) is inserted:</p> <p>(e) financing which is not linked to costs of the relevant operations but is based on the fulfilment of conditions related to the realisation of progress in implementation or the achievement of objectives of programmes. The detailed modalities concerning the financing conditions and their application, as well as the audit requirements, shall be set out in delegated acts adopted in accordance with the empowerment provided for in paragraph 5.</p>

Reason

The inclusion of audit requirements in the delegated acts on performance budgeting will provide more legal assurance in advance.

Amendment 12

Article 265

Modify paragraph 27

Text proposed by the Commission	CoR amendment
<p>27. Article 68 is replaced by the following:</p> <p>‘Article 68</p> <p>Flat rate financing for indirect costs concerning grants and repayable assistance</p> <p>Where the implementation of an operation gives rise to indirect costs, they may be calculated at a flat rate in one of the following ways:</p> <p>(a) a flat rate of up to 25 % of eligible direct costs, provided that the rate is calculated on the basis of a fair, equitable and verifiable calculation method or a method applied under schemes for grants funded entirely by the Member State for a similar type of operation and beneficiary;</p> <p>(b) a flat rate of up to 15 % of eligible direct staff costs without there being a requirement for the Member State to perform a calculation to determine the applicable rate;</p>	<p>27. Article 68 is replaced by the following:</p> <p>‘Article 68</p> <p>Flat rate financing for indirect costs concerning grants and repayable assistance</p> <p>Where the implementation of an operation gives rise to indirect costs, they may be calculated at a flat rate in one of the following ways:</p> <p>(a) a flat rate of up to 25 % of eligible direct costs, provided that the rate is calculated on the basis of a fair, equitable and verifiable calculation method or a method applied under schemes for grants funded entirely by the Member State for a similar type of operation and beneficiary;</p> <p>(b) a flat rate of up to 15 % of eligible direct staff costs without there being a requirement for the Member State to perform a calculation to determine the applicable rate;</p>

Text proposed by the Commission	CoR amendment
<p>(c) a flat rate applied to eligible direct costs based on existing methods and corresponding rates, applicable in Union policies for a similar type of operation and beneficiary.</p> <p>The Commission is empowered to adopt delegated acts in accordance with Article 149 concerning the definition of the flat rate and the related methods referred to in point (c) of the first subparagraph of this paragraph.;</p>	<p>(c) a flat rate applied to eligible direct costs based on existing methods and corresponding rates, applicable in Union policies for a similar type of operation and beneficiary.</p> <p>The Commission is empowered to adopt delegated acts in accordance with Article 149 to supplement the definition of the flat rate and the related methods referred to in point (c) of the first subparagraph of this paragraph.;</p>

Reason

Legal certainty shall not be withdrawn by delegated acts.

Amendment 13

Article 265

Modify paragraph 28

Text proposed by the Commission	CoR amendment
<p>28. the following Articles 68a and 68b are inserted: (...)</p> <p>1. Direct staff costs of an operation may be calculated at a flat rate of up to 20 % of the direct costs other than the staff costs of that operation.</p>	<p>28. the following Articles 68a and 68b are inserted: (...)</p> <p>1. Direct staff costs of an operation may be calculated at a flat rate of up to 20 % of the direct costs other than the staff costs of that operation, without there being a requirement for the Member State to perform a calculation to determine the applicable rate.</p>

Reason

This is a real simplification and provides legal certainty.

Amendment 14

Article 265

Modify paragraph 52

Text proposed by the Commission	CoR amendment
<p>Article 127 is amended as follows:</p> <p>(a) in paragraph 1, third subparagraph, the reference to 'the second subparagraph of Article 59(5) of the Financial Regulation' is replaced by 'the second subparagraph of Article 62(5) of the Financial Regulation'.</p>	<p>Article 127 is amended as follows:</p> <p>(a) in paragraph 1, third subparagraph, the reference to 'the second subparagraph of Article 59(5) of the Financial Regulation' is replaced by 'the second subparagraph of Article 62(5) of the Financial Regulation'.</p> <p>(aa) to paragraph 1 is added:</p> <p>The principle of proportionality should be respected by keeping audits to a minimum.</p>

Text proposed by the Commission	CoR amendment
(b) in point (a) of paragraph 5, the reference to 'the second subparagraph of Article 59(5) of the Financial Regulation' is replaced by 'the second subparagraph of Article 62(5) of the Financial Regulation'.	(b) in point (a) of paragraph 5, the reference to 'the second subparagraph of Article 59(5) of the Financial Regulation' is replaced by 'the second subparagraph of Article 62(5) of the Financial Regulation'. (c) paragraph 7 is deleted.

Reason

The amount of audits should be limited to the minimum necessary to meet the requirements to reduce the control burden.

Amendment 15

Article 265

Add a new paragraph after paragraph 57

Text proposed by the Commission	CoR amendment
	in Article 142, to paragraph 1 b the following is added: 'and are above 5 % of the total amount of eligible costs that are in the payment request.'

Reason

This point was raised at the Stakeholders' meeting and rapporteur also received written input by stakeholders on this point by CPMR, LGA and Nouvelle-Aquitaine. The provisions regarding the suspension of payments should allow for more flexibility.

Amendment 16

Article 265

Modify paragraph 60

Text proposed by the Commission	CoR amendment
60. in Article 152, a new paragraph 4 is added: 'Where a call for proposal is launched prior to the entry into force of Regulation XXX/YYY amending the present Regulation the managing authority (or monitoring committee for the programmes under the European territorial cooperation goal) may decide not to apply the obligation set out in Article 67(2a) for a maximum of 6 months starting from the date of entry into force of Regulation XXX/YYY . Where the document setting out the conditions for support is provided to the beneficiary within a period of 6 months starting from the date of entry into force of Regulation XXX/YYY the managing authority may decide not to apply those amended provisions.'	60. in Article 152, a new paragraph 4 is added: 'Where a call for proposal is launched prior to the entry into force of Regulation XXX/YYY amending the present Regulation the managing authority (or monitoring committee for the programmes under the European territorial cooperation goal) may decide not to apply the obligation set out in Article 67(2a). Where the document setting out the conditions for support is provided to the beneficiary within a period of 6 months starting from the date of entry into force of Regulation XXX/YYY the managing authority may decide not to apply those amended provisions.'

Reason

This extension of the transition period for the introduction of new flat rates would allow the management authorities to better prepare (notably in terms of data analysis) in a more secure legal environment.

Amendment 17

Article 267

Add a new paragraph after paragraph 3

Text proposed by the Commission	CoR amendment
	<p><i>In the first paragraph of Article 11 of Regulation (EU) No 1305/2013, point (a) is replaced by the following:</i></p> <p><i>Amendment of rural development programmes</i></p> <p><i>Requests by Member States to amend programmes shall be approved in accordance with the following procedures:</i></p> <p><i>‘(a) The Commission shall decide, by means of implementing acts, on requests to amend programmes concerning an increase in the EAFRD contribution rate of one or more measures.’</i></p>

Reason

The main purpose of the proposal is to simplify management of the funds and ensure a degree of flexibility, whereas the Commission proposal tightens management and administrative rules for local and regional authorities. The text should therefore be amended.

Amendment 18

Article 267

Paragraph 7

Text proposed by the Commission	CoR amendment
<p>Article 36 is amended as follows:</p> <p>(a) paragraph 1 is amended as follows:</p> <p>(i) <i>point (c) is replaced by the following:</i></p> <p><i>‘(c) an income stabilisation tool, in the form of financial contributions to mutual funds, providing compensation to farmers of all sectors for a severe drop in their income.’;</i></p> <p>(ii) the following point (d) is added:</p> <p><i>‘(d) an income stabilisation tool, in the form of financial contributions to mutual funds, providing compensation to farmers of a specific sector for a severe drop in their income.’;</i></p>	<p>Article 36 is amended as follows:</p> <p>(a) paragraph 1 is amended as follows:</p> <p>(i) the following point (d) is added:</p> <p><i>‘(d) an income stabilisation tool, in the form of financial contributions to mutual funds, providing compensation to farmers of a specific sector for a severe drop in their income.’;</i></p>

Reason

Encouraging the use of risk management tools, especially insurance, does more to boost the insurance industry than to help farmers. Strengthening such instruments could undermine the rural development funds that are essential to the cohesion of rural areas.

Amendment 19

Article 267

Add a new paragraph after paragraph 7

Text proposed by the Commission	CoR amendment
	Article 37 of Regulation (EU) No 1305/2013 is deleted.

Reason

There is a risk that insurance instruments would use up all the available funds for rural development, and they are not an appropriate management tool for maintaining farmers' income. The United States is moving away from such methods.

Amendment 20

Article 269

Paragraph 2

Text proposed by the Commission	CoR amendment
'8. Member States may decide to stop applying the provisions of this Article from 2018. They shall notify the Commission of such a decision by 1 August 2017.'	

Reason

The amendment is intended to ensure that CAP funding continues to be targeted at active farmers as the only farmers eligible for direct payments, thus avoiding dispersion of financial resources.

Amendment 21

Article 269

Add a new paragraph after paragraph 3

Text proposed by the Commission	CoR amendment
	<p>Article 44(1) of Regulation (EU) No 1307/2013 is amended as follows:</p> <p>Crop diversification</p> <p>1. Where the arable land of the farmer covers between 10 and 30 hectares and is not entirely cultivated with crops under water for a significant part of the year or during a crop rotation, there shall be at least three different crops on that arable land. The main crop shall not cover more than 50 % of that arable land.</p> <p>Thanks to their positive impact on soil fertility and productivity, mixtures of clover and biennial grasses, or other types of intercropping and undersowing, can be incorporated into crop rotation.</p>

Reason

As well as simplifying the regime, the groundwork must be laid for reform of the CAP. Crop rotation is an essential part of this. [Regulation (EU) No 1307/2013].

Amendment 22

Article 270

Add a new paragraph after paragraph 3

Text proposed by the Commission	CoR amendment
	<p>3 d. In Article 152 the following paragraph is inserted:</p> <p>'1a. Notwithstanding the application of Article 101(1) TFEU, a producer organisation, which is recognised under paragraph 1 of this Article, may plan production, place on the market and negotiate contracts for the supply of the agricultural products, on behalf of its members for all or part of their total production.'</p>

Reason

To put Article 152 at the centre of SCMO's derogations from the application of competition law, in line with recommendation 157a of the AGRI market Task Force report and § 8 of the AGRI committee's opinion on the annual report on European competition policy.

Amendment 23

Article 270

Add a new paragraph after paragraph 3

Text proposed by the Commission	CoR amendment
	<p>3 k. In Regulation (EU) No 1308/2013, the following Article is inserted:</p> <p>'Article 152b</p> <p>Value-sharing</p> <p>Without prejudice to Article 125 concerning the sugar sector, producers of agricultural products in one of the specific sectors listed in Article 1(2), through their organisations, and undertakings marketing or processing such products may agree on value-sharing clauses, including market bonuses and losses, determining how any evolution of relevant market prices or other commodity markets is to be allocated between them.'</p>

Reason

The aim is to allow producers of agricultural products to agree, through their organisations, on value-sharing clauses with undertakings marketing or processing their products, following the model of the sugar sector.

Amendment 24

Article 270

Add a new paragraph after paragraph 3

Text proposed by the Commission	CoR amendment
	<p>3 z. In Title II of Regulation (EU) No 1308/2013, a new Chapter is added:</p> <p>‘CHAPTER IIIa</p> <p>Relations with the supply chain</p> <p>Article 175a</p> <p>Unfair trading practices</p> <p>Before 30 June 2018, the European Commission shall propose to the European Parliament and to the Council a legislative proposal on a Union-level framework to combat practices that grossly deviate from good commercial practice and are contrary to good faith and fair treatment in transactions between farmers, including their organisations and processing SMEs, and their trading partners downstream of the supply chain;’</p>

Reason

This would require the Commission to adopt, before mid-2018, a European legislative framework to combat unfair trading practices, in line with the European Parliament’s position of 12 December 2016 and with recommendation 113 of the AGRI market Task Force report.

Amendment 25

Article 270

Add a new paragraph after paragraph 4

Text proposed by the Commission	CoR amendment
	<p>4 c. In Article 219(1), the fourth subparagraph is replaced by the following:</p> <p>‘Such measures may to the extent and for the time necessary to address the market disturbance or threat thereof extend or modify the scope, duration or other aspects of other measures provided for under this Regulation, or provide for export refunds, suspend import duties in whole or in part including for certain quantities or periods as necessary or propose any appropriate supply management measures.’</p>

Reason

To enhance the effectiveness of Article 219, it is appropriate to enable the Commission to use all means at its disposal under Regulation (EU) No 1308/2013 but also any other appropriate supply management measures.

II. POLICY RECOMMENDATIONS

THE EUROPEAN COMMITTEE OF THE REGIONS (CoR)

1. notes that the Financial Regulation sets out the principles and procedures governing the implementation of all areas of the EU budget and the control of EU funds and programmes. The proposal thus includes all types of EU spending, ranging from blending instruments such as the European Fund for Strategic Investments (EFSI), to shared management such as the European Structural and Investment Funds (ESIF) and centrally managed EU programmes such as Horizon 2020. The EU's Financial Regulation also covers the administrative costs of the EU institutions, and the CoR, as a body of the EU, is also bound by its application;

2. suggests that with a revision of this size — where 15 legislative acts are to be modified — an impact assessment should be carried out prior to the presentation of the proposal. This impact assessment should take into consideration the territorial dimension and impact of proposals made. It is now difficult to assess the proposal's repercussions for Local and Regional Authorities and its compliance with the proportionality principle; Moreover, the CoR questions the European Commission's assessment that the legislative proposal falls under the exclusive competence of the Union given that the proposals on the sectoral legislative acts go beyond aligning the text with the new financial rules applicable to the Union;

3. stresses that local and regional authorities have repeatedly called for simpler and more flexible rules to speed up the implementation of EU funds and make the day-to-day running of operations easier for their beneficiaries, notably for small and medium-sized enterprises (SMEs), and management authorities;

4. welcomes that, as a result of the good cooperation between the CoR and the European Commission, a number of simplification proposals which were drawn up during the joint workshops co-organised with the Presidency of the Council on the simplification of cohesion policy found their way into the legislative proposal, such as the move towards a more performance based approach to payment by the Commission;

5. welcomes the widening of options to use simplified costs, but points out that there are aspects of this that could be improved, recommending that the simplified costs option be extended for projects involving Services of General Economic Interest (SGEIs), as with projects subject to State aid rules. Moreover, use of standard scales should not be subject to approval in advance by the European Commission or should at least be limited so as to allow managing authorities to make significant simplifications in management;

6. notes that the suggested simplification measures concerning audits are expected to lead to significant simplification in all EU policy areas which involve EU spending. The proposals in the Financial Regulation on performance budgeting, combined with the simplification and cross reliance (single audit), make considerable progress possible in terms of reducing the number of audits, errors and administrative burdens and strengthening the image, use and targeting of results. The aim of cross reliance measures is to encourage reliance as far as possible on one single audit when the audit is reliable according to internationally accepted auditing standards;

7. regrets that not all simplification proposals on audit found their way into the legislative proposal. Excessive audit requirements lead to major risks for both regional administrations and SMEs. Consequently, many think that ESIF support simply is not worth the effort. Further simplification should ease the burden for beneficiaries. The proposal for cross reliance by audit authorities regarding management verifications by managing authorities should be considered in this respect and include the first level of control instead of going back to the beneficiary;

8. calls for a lighter approach and greater transparency in relation to audit requirements, recommending for instance a shorter record-keeping period for digital records given that the cost of digital data storage may be as much as the current cost of keeping physical records;

9. recommends introducing the possibility of a tailor made audit strategy for an operational programme, based on methods and principles that audit authorities have to use in Member States, such as proportionality principles, rewarding good results on previous audits and the use of national audit methods;

10. welcomes the proposal in the Financial Regulation that financing not be linked to the costs of the relevant operations but is instead based on the fulfilment of conditions related to the realisation of progress in implementation or the achievement of objectives of programmes. Suggests that wider use of performance budgeting should be encouraged;

11. is pleased that its request to allow for the direct award of contracts to national/regional public development financial institutions when acting as a financial intermediary in the implementation of financial instruments is envisaged in the legislative proposal;

12. welcomes the proposed simplification of Joint Action Plans (JAPs) but notes that JAPs have hardly been used so far, because managing authorities were afraid that auditors would interpret the rules on JAPs differently, and impose financial corrections. Moreover, the use of JAPs requires extra layers of governance. Suggests therefore, investigating the experiences with the use of JAPs and an evaluation of the delivery mechanism; Requests information on what practical steps have been taken by the European Commission to address the lack of trust and uncertainty. Requests the European Commission to provide a model JAP, on which the Commission should seek the advice of the European Court of Auditors; Strongly suggests that a number of pilots are already launched across all Member States during this period as to form a testbed for JAPs to be widely used post 2020;

13. welcomes that the proposals to improve the combination of ESIF and EFSI (articles 38(1)(c) and 39(a) of the Common Provisions Regulation on the ESI Funds, or CPR), especially concerning financial instruments, seem to be very positive and appear to answer the requests made by the Committee of the Regions for more synergies between ESIF and EFSI. However, there are still some doubts about the added value of having two delivery mechanisms for revolving funds, which can be implemented through both EFSI and ESI Funds. The administrative burden of having two delivery mechanisms can be avoided by an *ex ante* evaluation of the combined implementation of ESIF and EFSI, on a case by case basis. The CoR also draws attention to the fact that in comparison with ESI Funds, the implementation of EFSI, and the conditions attached, are considered simpler. The different status of directly managed EU funds, such as EFSI and Horizon 2020, and of the shared managed ESI Funds with respect to state aid increases administrative burden and impedes synergies between the tools;

14. regrets that the legislative proposal opens the possibility of shifting resources from cohesion policy to other centrally managed programmes or to increase the risk-bearing capacity of the European Fund for Strategic Investments (EFSI). From a local and regional standpoint this appears to be problematic, given that the request for such a transfer has to be made by the Member State without the explicit need to consult local and regional authorities. Therefore local and regional authorities reject this proposal as it is tabled now, therefore the CoR proposes that the Commission shall verify and grant a transfer of resources only if the request is initiated and/or approved by the managing authority or the local and regional authorities concerned. The local and regional authorities should be able to initiate such a request;

15. recommends that the legislative proposal should also open the possibility of shifting resources from centrally managed programmes and EFSI to cohesion policy. These points are addressed in Amendment 1;

16. underlines that many causes of complexity can be found within delegated and implementing acts, as well as in the Commission's guidelines. A large number of additional requirements and issues relating to management, audit and oversight actually result from this secondary regulation, and it is necessary to simplify it;

17. notes that Article 27(2) of Commission Delegated Regulation (EU) No 480/2014 of 3 March 2014 establishes retroactive effect at the time of checks and audits of operations, giving rise to unacceptable legal uncertainty for beneficiaries. This principle of retroactive effect should be removed, unless the latter are more favourable to beneficiaries;

Simplification proposals for the programming period post-2020

18. requests that the simplification of cohesion policy should be continued with the proposals for the programming period post-2020. In this respect, the following issues should be resolved as a priority:

- Establish a level playing field for different funding instruments of the EU by having common definitions to be able to compare results and combine funds.

- Explore how *ex ante* conditionalities of cohesion policy (Art. 19 CPR) could lead to further simplification.
- Reconsider the multi-level approach in shared implementation programmes, it would be more efficient to deal with either the regional/local authorities or with the national authority depending on the geographical scope of the programme.
- In order to increase transparency and make the legislation less complex, under the various ESI funds identical rules should apply. This can be done by developing a one-stop-shop for applications of beneficiaries of ESIF to make easy and equal access possible.
- Limit conditions to this general single set of rules. The financial rules should not allow for extra conditions concerning fund specific rules on audits and eligibility of costs for specific funds and programmes. Fund specific regulations should be restricted to rules about programme content and reporting. This prevention of gold plating should also apply to all partners in shared implementation programmes.
- Limit the content of annual implementation reports to providing key information on the implementation of the programme without placing unnecessary extra burden on the managing authorities.
- Abolish bureaucratic procedures, that have limited additional value and which are implemented totally differently, such as the designation procedure (Art. 124 CPR).
- Develop differentiated audit and reporting through contracts of confidence between the EU and the national audit and managing authorities.
- To prevent burden of control the Article on the Functions of the Audit Authority (Art. 127 CPR) should be complemented with: ‘This audit strategy is clarified in advance to the Managing Authority and is judged by the Commission to protect the principle of proportionality and take into account the risks of the specific operational programme’.
- To take as an example of the 2007-2013 programme period *ex ante* assessment and designation procedure, under which the Commission checked and validated all systems put in place by managing authorities, to ensure that funding can be delivered quicker at the start of the programming period.
- The provisions regarding the suspension of payments (Art. 142 CPR) should allow for more flexibility.
- A distinction should be made between fraudulent errors and unintentional errors.
- Greater trust should be developed between those involved in shared management of the ESI funds and the European Commission.
- Article 28 of Regulation (EU) No 480/2014 refers to a 2 % maximum materiality level. Experience shows that such a level is not appropriate in the context of cohesion policy projects. Since international auditing standards do not impose numerical requirements, it should be possible to raise this threshold to 5 %;

19. underlines that the legislative proposal on ‘the financial rules applicable to the general budget of the Union’ accompanied by corresponding sectoral rules set out in 15 legislative acts relates to all CoR Commissions, which have been consulted during the preparatory phase of this opinion. The COTER working group on the EU Budget has also contributed to the drafting of this opinion.

Brussels, 11 May 2017.

The President
of the European Committee of the Regions
Markku MARKKULA

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