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Contents

I Resolutions, recommendations and opinions

RESOLUTIONS

Committee of the Regions

119th plenary session, 10, 11 and 12 October 2016

2017/C 088/01	Resolution of the European Committee of the Regions on the Mid-term Review of the Multiannual Financial Framework	1
2017/C 088/02	Resolution of the European Committee of the Regions — 2016 European Semester and in view of the 2017 Annual Growth Survey	4
2017/C 088/03	Resolution of the European Committee of the Regions — European Year of Cultural Heritage 2018	7

OPINIONS

Committee of the Regions

119th plenary session, 10, 11 and 12 October 2016

2017/C 088/04	Opinion of the European Committee of the Regions — Simplification of ESIF from the perspective of Local and Regional Authorities	12
2017/C 088/05	Opinion of the European Committee of the Regions — State aid and Services of General Economic Interest	22
2017/C 088/06	Opinion of the European Committee of the Regions — Digitising European industry	28
2017/C 088/07	Opinion of the European Committee of the Regions — European Cloud Initiative and ICT Standardisation Priorities for the Digital Single Market	34
2017/C 088/08	Opinion of the European Committee of the Regions — Action Plan on VAT — Towards a single EU VAT area	39

EN

2017/C 088/09	Opinion of the European Committee of the Regions — Delivering the global climate agreement — a territorial approach to COP22 in Marrakesh	43
2017/C 088/10	Opinion of the European Committee of the Regions — An EU Roadmap for Cycling	49

III *Preparatory acts*

COMMITTEE OF THE REGIONS

119th plenary session, 10, 11 and 12 October 2016

2017/C 088/11	Opinion of the European Committee of the Regions — eGovernment Action Plan 2016-2020	54
2017/C 088/12	Opinion of the European Committee of the Regions — The European pillar of social rights	59
2017/C 088/13	Opinion of the European Committee of the Regions — Review of the European Neighbourhood Policy	64
2017/C 088/14	Opinion of the European Committee of the Regions — Aviation Strategy	69
2017/C 088/15	Opinion of the European Committee of the Regions — the European deposit insurance scheme (EDIS)	74
2017/C 088/16	Opinion of the European Committee of the Regions — An EU action plan for the Circular Economy	83
2017/C 088/17	Opinion of the European Committee of the Regions — An EU Strategy on heating and cooling	91

I

(Resolutions, recommendations and opinions)

RESOLUTIONS

COMMITTEE OF THE REGIONS

119TH PLENARY SESSION, 10, 11 AND 12 OCTOBER 2016

Resolution of the European Committee of the Regions on the Mid-term Review of the Multiannual Financial Framework

(2017/C 088/01)

THE EUROPEAN COMMITTEE OF THE REGIONS,

- having regard to the Communication from the European Commission to the European Parliament and the Council on the Mid-term review/revision of the Multiannual Financial Framework (MFF) 2014-2020, An EU budget focused on results (COM(2016) 603 final) ⁽¹⁾ and its accompanying document,
 - having regard to its opinion on the mid-term revision of the MFF ⁽²⁾,
1. takes note of the detailed proposal of the mid-term review of the MFF presented by the European Commission on 14 September 2016;
 2. supports linking negotiations on the mid-term review to the budgetary procedure for the EU Budget for 2017; this timeline will allow for a timely adoption of the mid-term review and leave room for discussions on the next MFF post-2020;
 3. regrets the lack of ambition of the European Commission in presenting only a **review of the MFF**, which has already reached its limits, instead of a full-scale revision allowing the European Union to address current challenges with which it is confronted and to ensure that the EU's budget concentrates on areas that lead to sustainable growth and job creation, with a strong European added value; expects the next MFF to make a significant step towards modernising its budget and enabling it to address future challenges as well as tackle new priorities which have emerged;
 4. notes that this mid-term review reflects the European Commission's approach '**an EU budget focused on results**', but is concerned that the absorption rate of EU programmes has apparently been the main criterion for proposed changes in appropriations; and reiterates its offer to the European Institutions to play an active role in the process of assessing the efficiency and the effectiveness of all EU programmes;
 5. strongly rejects the impression given in the MFF communication that shared management programmes are not working, and stresses the fact that, despite the delays in adopting the new ESIF regulations and the very complex programming procedure, more than 200 000 projects have started and EUR 46 billion of ESIF funds have already been committed to co-finance projects worth EUR 68 billion;

⁽¹⁾ <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52016DC0603>

⁽²⁾ Opinion COR 9/2016

6. in this regard, warns that the possible suspension of the European Structural and Investment Funds for Spain and Portugal — or any other Member State — is detrimental to programme implementation. It points out that (a) the CoR is opposed to macroeconomic conditionality as it penalises cities and regions; (b) it would run counter to the cancellations of sanctions that have already taken place under the provisions of Regulation (EU) No 1173/2011 on the effective enforcement of budgetary surveillance in the euro area; and (c) it violates the principle of proportionality set out in Article 5 TEU and its Protocol No 2. Therefore calls for any suspension that may be imposed to be set at zero, taking account of the economic and social circumstances, unemployment and the impact of suspension on their economies, as stipulated in Article 23 of Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 (Common Provisions Regulation);

7. is indeed concerned about a tendency of ‘**centralisation**’ of the EU budget, which would clearly run against finding tailor made solutions to local and regional challenges, the reduction in the shared management of programmes would negatively affect the EU Treaty obligation of economic, social and territorial cohesion, and the principles of subsidiarity, partnership and multi-level governance;

8. regrets that the adjustments of cohesion policy envelopes are included in the mid-term review of the MFF and whilst they are obligatory according to Article 7 of the MFF Regulation, these adjustments should not be further negotiated;

9. welcomes in principle the proposal for an **extension and reinforcement of the European Fund for Strategic Investment (EFSI)** which will be the subject of a separate CoR opinion; expects further improvements in the areas of additionality, geographical and sectorial coverage, as well as transparency, reiterates the request for a proper assessment of the EFSI results, in particular its synergies with ESIF funds and their contribution to territorial cohesion so far, and looks forwards to a close cooperation with the European Parliament in scrutinising EFSI implementation, in the hope that the regions will be more closely involved in governance with a view to ensuring effective integration with cohesion policy;

10. welcomes the increase in financial appropriations for **Horizon 2020** and the **Connecting Europe Facility (CEF) programmes**, but underlines that these increases do not compensate for the initial budgetary cuts to Horizon 2020 and CEF when creating the EFSI;

11. takes note of the European Commission proposal for a review of the financial regulation and its intension to simplify rules to address problems linked to administrative complexity and errors in Cohesion Policy, particularly with regard to implementing programmes under shared management and reinforced synergies between grants and financial instruments; will address the review in detail in a separate opinion;

12. welcomes the increase in budget appropriations for the **Youth Employment Initiative (YEI)** and for the **Erasmus+ programme**, but is disappointed by the lack of initiatives to tackle long-term unemployment;

13. takes note of the flexibility measures proposed by the European Commission — in particular the creation of a **European Union Crisis Reserve** to reuse de-committed appropriations, the removal of annual caps for Global Margins for Payments, and the targeted use of the technical adjustment of Cohesion policy envelopes; acknowledges these as good steps forward in addressing current crises with a more flexible EU Budget;

14. regrets that no additional measures have been suggested by the European Commission in the mid-term review to address the various crises in the EU related to the Common Agricultural Policy, among which concentration of production, increased global competition, reduction of workforce and growing rural decline, which European farmers, consumers and local and regional authorities will be confronted with up until the end of the current programming period;

15. in light of the ambitious **global climate agreement reached in Paris in 2015**, recalls the target of **20 % of EU spending** on climate-related projects and policies but underlines that this share represents a minimum and further efforts are probably necessary to ensure that it can be sustained until 2020;

16. welcomes a **detailed medium-term payments forecast**, addressing concerns over the payments backlog in the current MFF; is worried nevertheless about future payments, given persistent delays in the implementation of programs under shared management; highlights the responsibility of Member States and in the Council to make sufficient payment appropriations available in the annual budgets so that the EU has the means to address current challenges;

17. is concerned that, despite increases under Headings 3 and 4 to deal with the refugee and migration crisis, the creation of the European Union Crisis Reserve and a **'flexibility cushion'**, the resources available in the current MFF are insufficient to address the growing demands on the EU budget in terms of the reception, distribution and integration of refugees and migrants or their protection in their areas of origin; recalls in this context that local and regional authorities have key responsibilities in receiving and integrating migrants and that therefore direct access by them to relevant EU funding opportunities would greatly help them to face these challenges; warns that more flexibility is not the solution to insufficient financial resources;

18. takes note of the proposal for the creation of a **European Fund for Sustainable Development**, and will address this in more detail in a separate opinion;

19. takes note that the potential withdrawal of the United Kingdom from the European Union could have an effect on the current Multiannual Financial Framework; is concerned about the consequences on the ongoing implementation of many EU programmes and suggests an early involvement of the CoR in further discussions on revising the current MFF;

20. welcomes the chapter **'Towards the next Multiannual Financial Framework'** as an initial contribution to a wider debate on the future of the EU budget; invites the EU institutions to an early dialogue with Europe's cities and regions on the scope, structure and instruments of the next MFF and will prepare in due course its proposals on the matter;

21. instructs the President to forward this resolution to the European Commission, the European Parliament, the Council and the President of the European Council.

Brussels, 12 October 2016.

*The President
of the European Committee of the Regions*

Markku MARKKULA

Resolution of the European Committee of the Regions — 2016 European Semester and in view of the 2017 Annual Growth Survey

(2017/C 088/02)

Submitted by the PES, EPP, ALDE and EA political groups

THE EUROPEAN COMMITTEE OF THE REGIONS (CoR),

- having regard to the main documents of the 2016 European Semester, namely the Annual Growth Survey, the Country Reports, the National Reform Programmes and the Country-specific Recommendations;
- having regard to the European Parliament's draft report on the European Semester for economic policy coordination: implementation of 2016 priorities (2016/2101 (INI));

Relaunching investments

1. recalls that public and private investment dropped by around 15 % in the EU with respect to 2007, and in some Member States even by 50 %, due to the economic crisis and to fiscal consolidation measures; highlights that several cumulative years of such under-investment (the 'investment gap') represent a major constraint to Europe's competitiveness and cohesion, hence to its ability to ensure sustainable growth and job creation;
2. stresses that 40 % of the Country-specific Recommendations for 2016 address obstacles to investment which the local and regional authorities can help to remove⁽¹⁾, including: poor quality of the public administration and lack of coordination; mismatch between functions and financial resources of local and regional governments; burdensome regulatory environment for private investment; corruption; lack of skilled labour-force and of appropriate transport infrastructure; announces that these issues will be also addressed in the CoR's forthcoming Opinion on Bridging the investment gap: How to tackle the challenges;
3. recalls the Declaration about 'Invest and Connect'⁽²⁾ adopted on 9 July 2016 in Bratislava at the 7th European Summit of Regions and Cities, which focused on the importance of removing obstacles hindering the vast untapped investment potential of cities, regions and rural areas in Europe, and the role of the local and regional authorities in providing innovative infrastructure and services to boost investment and improve the quality of life of EU citizens;
4. is concerned that around 60 % of respondents in a recent CoR survey of EU local and regional authorities⁽³⁾ perceived a downward or flat trend in both public and private investment in the past 12 months, which, if confirmed, would suggest that the under-investment trend which started with the economic crisis continues;
5. underlines that, according to the same CoR survey, funding public investment remains a challenge for around two thirds of the local and regional authorities, in part due to their insufficient capacity to properly design public investments, to use financial instruments, to submit projects to the EIB and to engage in public-private partnerships;
6. welcomes the first positive results of the European Fund for Strategic Investment (EFSI) relating mainly to its 'SME window'; at the same time calls for improving the additionality of EFSI's 'infrastructure and innovation window' as well as EFSI's geographical balance, also by encouraging the development of regional investment strategies and the use of investment platforms to ensure all regions, especially the less developed ones, could benefit from it;
7. welcomes in principle the proposal for an extension and reinforcement of the EFSI which will be the subject of a separate CoR opinion; expects further improvements in the areas of additionality, geographical and sectorial coverage, as well as transparency, reiterates the request for a proper assessment of the EFSI results, in particular its synergies with ESIF funds and their contribution to territorial cohesion so far, and looks forwards to a close cooperation with the European Parliament in scrutinising EFSI implementation;

⁽¹⁾ CoR, 2016 European Semester, Territorial analysis of the Country-specific Recommendations, Report of the Steering Committee of the Europe 2020 Monitoring Platform.

⁽²⁾ <http://www.cor.europa.eu/bratislavasummit/>

⁽³⁾ CoR Survey on 'Obstacles to investment at local and regional level', July 2016.

8. underlines that three quarters of respondents to the CoR survey on obstacles to investment were not aware of the opportunity provided by EFSI and its investment platforms, which should be better communicated to them and to other relevant stakeholders;

9. notes that smaller regions and municipalities, together with regions that suffer from severe and permanent natural or demographic handicaps, such as the northernmost regions with very low population density and island and mountain regions, can often not make use of EFSI due to the high thresholds for the minimum value of the supported investment and expects the threshold to be lowered when EFSI is revised;

10. stresses that the technical capacity of potential project promoters at the local and regional levels should be enhanced with the help of the European Investment Advisory Hub, in particular in relation to the design and establishment of investment platforms;

11. stresses that regional investment strategies should build on the awareness that economic and technological change are rapidly transforming our societies and territories; in this context, underlines the need to promote investment in the low-carbon and circular economy and to support the sharing and collaborative economy, thereby lowering the cost of developing innovative activities, boosting the provision of public and private services to citizens and making the public sector more efficient;

12. highlights the importance of stimulating local and regional authorities to use smart specialisation strategies and European partnerships for joint strategic development priorities;

13. stresses that Cohesion Policy remain the EU's main investment tool, in particular for its less developed countries and regions; and would like to see more complementarity with EFSI;

14. recalls its opinion on the Mid-term revision of the Multiannual Financial Framework (MFF), which states that a lack of payment appropriations under the MFF 2014-2020 could induce a risk that the Commission will not be able to meet its obligations, thus creating a payment backlog with negative effects on the implementation of the operational programmes under the ESIF;

15. considers that as part of the review of funding under the Structural Funds, national governments could be permitted to set aside a certain amount of EU funding for projects in areas subject to landslides and also for intervention in the event of major natural disasters;

Pursuing structural reforms and responsible fiscal policies

16. underlines that more than half of the 2016 Country-specific Recommendations, addressed to 26 countries, are territory-related, i.e. linked to challenges that concern some regions or cities more than others, and/or their implementation relies on sub-national levels of government;

17. it should be borne in mind that in its opinion on 'The EU response to the demographic challenge', the CoR emphasised the link that must exist between demographic change and the European Semester, and stressed the fact that the latter must have a territorial dimension. Local and regional authorities should be active participants in measures taken under the European Semester to tackle demographic challenges, and recommendations made to Member States to address these challenges should take local and regional authorities into account;

18. stresses that the CoR has consistently opposed the macroeconomic conditionality in the implementation of Cohesion Policy, stipulated in Article 23 of CPR, as this would penalise cities and regions as a result of the Member State's failure to comply with their obligations under the Stability and Growth Pact; in this respect, fears that the suspension of ESIF funding for Spain and Portugal would have negative effects on the implementation of operational programmes, already considerably delayed. It would also be contradictory to cancel sanctions under the excessive budgetary deficit procedure (Regulation 1173/2011 on the effective implementation of budgetary supervision) but to consider sanctions under Article 23 of the CPR. At the same time highlights the need for more sound economic management at national level, which is a pre-requisite for the efficient use of ESIF funds;

19. reiterates its call that investment made by local and regional authorities in the context of the Structural Funds and the Cohesion fund be excluded from the EU countries' budget deficit and debt calculations;

20. stresses that almost 40 % of the 2016 CSRs, involving 20 Member States, addressed issues of administrative capacity, in particular at the sub-national level, related to structural reforms and the removal of obstacles to investment; recognises that administrative capacity is to be freed up mainly by the creation of efficient administrative structures; recalls its proposal in relation to the proposed Structural Reform Support Programme of a single strategic document setting priorities and criteria to coordinate all EU-funded capacity-building measures;

21. stresses that the Commission should consider proposing a fiscal capacity for the Eurozone to implement anti-cyclical policies and accelerate the recovery, and announces that it will adopt in the coming months an opinion on this issue;

22. acknowledges the importance of addressing social and labour market challenges; supports the inclusion by the Commission of social indicators in the macroeconomic imbalances procedure (MIP);

On the European Semester and towards the 2017 Annual Growth Survey

23. notes the low implementation rate of the Country-specific Recommendations and that all levels of government should be involved in a more intense effort to improve it; notes that some challenges require long-lasting efforts, as shown by the fact that about three quarters of the 2016 territory-related recommendations had already been issued in 2015, and two thirds of those issued last year had already been issued in 2014;

24. stresses that, as confirmed this year by both the National Reform Programmes and the Country-specific Recommendations, the involvement of the local and regional authorities in the Semester is mostly confined to the implementation phase of policies, when they should become partners also in designing policies; underlines that their involvement at an early stage would increase significantly the rate of implementation of the recommendations, help to address widening regional disparities, favour increased ownership on the ground and strengthen trust within and between Member States;

25. intends to propose a Code of Conduct for the involvement of the local and regional authorities in the European Semester, respectful of national differences and careful to avoid unnecessary administrative burden, thus contributing to the Better Governance approach. This is assuming that the Code reflects the diversity and constitutional arrangements of the Member States;

26. calls the 2017 AGS to focus specifically on demographic challenges; these challenges also point to the need for economic and financial policies designed to ensure successful, balanced integration of migrants within the EU;

27. stresses that the European Semester needs to refer to a long-term multi-level policy framework, currently the Europe 2020 Strategy; welcomes the European Commission's announcement of a forthcoming mapping of the EU's sustainable development policies and highlights the need to align the EU's future growth strategy with an updated territorial vision;

28. instructs the President to forward this resolution to the Commission, the European Parliament, the Council, the President of the European Council and the Slovak Presidency of the Council of the EU.

Brussels, 12 October 2016.

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

Resolution of the European Committee of the Regions — European Year of Cultural Heritage 2018

(2017/C 088/03)

THE EUROPEAN COMMITTEE OF THE REGIONS (CoR),

— having regard to the proposal from the European Commission for a Decision of the European Parliament and of the Council on a European Year of Cultural Heritage ⁽¹⁾,

I. POLICY RECOMMENDATIONS

1. welcomes the European Commission's proposal to designate the year 2018 as the 'European Year of Cultural Heritage' and agrees with the Year's stated overall and specific objectives;
2. considers that a European Year devoted to cultural heritage constitutes a valuable opportunity to raise awareness at grassroots level about the need to protect cultural heritage, to bring knowledge of it to a wider audience and to contribute to the attainment of shared goals in the pan-European context ⁽²⁾; moreover, the European Year should promote the exchange of best practices in the development of effective management systems, helping to mitigate risks related to urban development and landscape transformation and in the fight against illicit excavations and the illegal trafficking of cultural goods;
3. calls for a comprehensive and visionary approach in making 2018 the European Year of Cultural Heritage, seen also as an opportunity to reaffirm our motto 'United in diversity'. The CoR reiterates its intention to support the 2018 European Year of Cultural Heritage. To this effect, it expresses its readiness to also contribute to the work of the European steering group that the European Commission proposes to establish within the framework of the European Year 2018;
4. acknowledges that the celebration and commemoration of cultural heritage helps Europeans build understanding, inspires creativity and fosters active citizenship. Promoting culture and cultural heritage is therefore essential in order to strengthen identity and democratic values in Europe and to contribute to social and economic cohesion. In this regard, protected natural areas should be seen as forming part of cultural heritage;
5. welcomes the recognition given to culture as a tool for local and regional development and the value of innovative models of multilevel governance and management of cultural heritage; stresses, however, that the appointment of coordinators at Member State level must fully reflect the governance structures of each Member State, including federal structures and/or regions/cities with legislative powers;
6. reaffirms the significance of landscapes as a basic component of the natural and cultural heritage, having a deep impact on the cultural identity of the citizens of Europe; believes therefore that in line with the European Landscape Convention and the European Agenda for Culture, the overall objectives for the European Year of Cultural Heritage 2018 could be enriched by including a strong component for territorial development, in the form of regional and local cultural strategies involving the promotion of sustainable cultural tourism;
7. expects that the European Year of Cultural Heritage 2018 will create a momentum to increase the funding available in the COSME programme for small and medium-sized enterprises related to cultural tourism;
8. expects tourism, especially cultural and heritage tourism, to play an important role in 2018, given the fact that it is one of the fastest growing economic sectors in Europe that drives global growth and development, creates millions of jobs, spurs exports and investment and transforms peoples' lives;
9. underlines the importance of culture as one of the pivotal factors attracting tourists and emphasises the need to promote Europe's cultural and natural heritage in our regions, cities and rural areas which provide a showcase for our diversity, and to assure better accessibility to those areas, which are difficult to reach such as rural, mountains or islands regions;
10. recalls the aim of the new EU Urban Agendas to improve the quality of life in towns and cities and to develop new 'urban' governance and underlines that partnerships should also be set up on other issues requiring integrated policy approaches, for example, taking into account the cultural and tourism dimension in urban development, new inclusive forms of participation, innovation and Smart Cities ⁽³⁾;

⁽¹⁾ COM(2016) 543 final.

⁽²⁾ COR-2014-05515-00-00-AC-TRA.

⁽³⁾ COR-2015-05511-00-01-AC-TRA

11. highlights the close ties between cultural heritage and rural development and calls on the rural areas to pay more attention to cultural heritage in their development strategies as it contributes to safeguarding and creating jobs, supporting agricultural businesses, protecting cultural landscapes, supporting rural arts and handicrafts;
12. reiterates the possible advantage of using the European grouping of territorial cooperation (EGTC) for multi-level governance projects enabling all the relevant actors to be involved in the governance of a cross-border or Euro-regional territory⁽⁴⁾ and to stimulate cooperation in the field of culture, including tangible and intangible cultural heritage, with positive spill-over to other sectors, such as tourism and industry;
13. reiterates its support for the European Capitals of Culture (ECOC) and the European Heritage Label (EHL) initiatives, as well as for the European Heritage Days and the European Union Prize for Cultural Heritage, and underlines the need for strong synergies with the activities undertaken within the framework of the European Year 2018;
14. notes that, although co-financing at the European level of activities in support of European Years is within the existing possibilities for priority setting on an annual or multiannual basis and in relation to existing programmes, the choice of the policy focus of each Year determines to a great extent the size of the available budgetary envelope. This leads to considerable funding fluctuations from one Year to the next, which may jeopardise the attainment of a Year's goals;
15. reiterates that in a globalising world culture can also determine the attractiveness of a place and its competitiveness for business, investors and creative and enterprising individuals;
16. considers the European Year of Cultural Heritage 2018 as an important milestone for fostering the EU strategy for international cultural relations⁽⁵⁾;
17. welcomes the focus on the Middle East when considering the role of heritage in the area of external relations, as this region is hardly hit by the deliberate destruction of cultural treasures in certain conflict zones. Agrees that cultural cooperation must be sought also with European Neighbourhood Policy and Eastern Partnership countries;
18. stresses that it is fundamental that young people acknowledge, understand and appreciate their heritage and feel it as part of their identity. In this regard calls for a more proactive approach to promoting European cultural heritage and its diversity among young people and children; recommends therefore to include in school curriculum elements of European art, music, theatre and film education to improve knowledge of tangible and intangible cultural heritage of the continent;
19. reaffirms the importance of acquiring cultural and creative skills from an early age, both within the education system and in leisure time, which empowers the young generations to fully benefit from the new forms of access to culture⁽⁶⁾;
20. considers accessibility to be fundamental in making the European Year of Cultural Heritage 2018 a success; improvement of accessibility represents a crucial starting point in order to also increase participation rates⁽⁷⁾;
21. confirms its willingness to be involved in the design of a comprehensive communication strategy, as well as the organisation of relevant conferences, events and initiatives and its readiness to facilitate engagement with citizens and stakeholders;
22. wishes to see more active EU media, audio-visual and IT policy which seeks to promote the cultural and linguistic heritage of Europe;
23. considers also that there is a need to create a European Network of World Heritage Cities, as these cities are the Common Heritage of all European citizens, and to adopt specific measures to preserve them and raise awareness about their existence;

⁽⁴⁾ CDR371-2011_FIN_AC

⁽⁵⁾ JOIN(2016) 29 final

⁽⁶⁾ CDR 2391/2012 fin

⁽⁷⁾ CDR3952-2013_00_00_TRA_AC

24. instructs the President to forward this resolution to the European Commission, the European Parliament, the Council, the President of the European Council and the Slovak Presidency.

II. RECOMMENDATIONS FOR AMENDMENTS

Proposal for a Decision of the European Parliament and of the Council on a European Year of Cultural Heritage

Amendment 1

Recital 0

<i>Text proposed by the Commission</i>	<i>CoR amendment</i>
	<p><i>The European Union contributes to the preservation and to the development of the indivisible, universal values of human dignity, freedom, equality and solidarity, respecting the diversity of the cultures, languages and traditions of the peoples of Europe as stated in the Charter of Fundamental Rights of the European Union.</i></p>

Reason

Self-explanatory.

Amendment 2

Recital 4

<i>Text proposed by the Commission</i>	<i>CoR amendment</i>
<p>As highlighted by the European Commission in its Communication 'Towards an integrated approach to cultural heritage for Europe' ⁽⁸⁾, cultural heritage is to be considered a shared resource and a common good held in trust for future generations, whose care is a common responsibility of all stakeholders.</p> <p>⁽⁸⁾ Communication from the Commission to the European Parliament, the Council, the European Social and Economic Committee and the Committee of the Regions of 22 July 2014 Towards an integrated approach to cultural heritage for Europe COM(2014) 477 final.</p>	<p>As highlighted by the European Commission in its Communication 'Towards an integrated approach to cultural heritage for Europe' ⁽⁸⁾, cultural heritage is to be considered a shared resource and a common good held in trust for future generations, whose care is a common responsibility of all stakeholders. To this effect, Article 36 TFEU does not preclude prohibitions or restrictions on imports, exports or goods in transit justified on grounds of the protection of national treasures possessing artistic, historic or archaeological value.</p> <p>⁽⁸⁾ Communication from the Commission to the European Parliament, the Council, the European Social and Economic Committee and the Committee of the Regions of 22 July 2014 Towards an integrated approach to cultural heritage for Europe COM(2014) 477 final.</p>

Reason

It is important to remind that goods that are part of national cultural treasures are exempted from EU rules related to the free movement of goods.

Amendment 3

Recital 11

<i>Text proposed by the Commission</i>	<i>CoR amendment</i>
Cultural heritage can have an important role for community cohesion at a time when cultural diversity is increasing in European societies. New participatory and intercultural approaches to heritage policies and educational initiatives that attribute equal dignity to all cultural heritages have the potential to increase trust, mutual recognition and social cohesion.	Cultural heritage can have an important role for community cohesion at a time when cultural diversity is increasing in European societies. <i>Sites having been awarded the European Heritage Label have a strong European dimension as they have been selected for their role in European history. As such, they symbolise European ideals, values, history and integration, and they bring the European Union and its citizens closer together. Together with the European Capitals of Culture, they increase European citizens' sense of belonging to a common cultural area. Therefore, complementarities with the European Year of Cultural Heritage must be sought.</i> New participatory and intercultural approaches to heritage policies and educational initiatives that attribute equal dignity to all cultural heritages, <i>while respecting the freedom of the arts, in accordance with Article 13 of the Charter of Fundamental Rights of the European Union,</i> have the potential to increase trust, mutual recognition and social cohesion.

Reason

Both the European Heritage Label and the European Capitals of Culture are important instruments for the promotion of cultural heritage at local and regional level and should be duly acknowledged in the Decision. The same applies to the freedom of the arts, which is a cornerstone of European creativity.

Amendment 4

Article 2(2)(k)

<i>Text proposed by the Commission</i>	<i>CoR amendment</i>
encourage synergies between the Union and Member States, including strengthening initiatives to prevent the illegal trafficking of cultural goods.	encourage synergies between the Union and Member States, including strengthening initiatives to prevent <i>unauthorised excavations and</i> the illegal trafficking of cultural goods.

Reason

The devastation of archaeological sites due to illicit excavations has inestimable consequences for Europe's cultural heritage.

Amendment 5

Article 4

<i>Text proposed by the Commission</i>	<i>CoR amendment</i>
<p style="text-align: center;">Coordination at national level</p> <p>Each Member State shall appoint a <i>national</i> coordinator responsible for organising its participation in the European Year. The coordinator shall ensure the coordination of relevant activities at <i>national</i> level.</p>	<p style="text-align: center;">Coordination at Member State level</p> <p>Each Member State shall appoint a coordinator responsible for organising its participation in the European Year, <i>in full respect of the powers conferred to the national, regional and local levels of government.</i> The coordinator shall ensure the coordination of relevant activities at Member State level.</p>

Reason

Federal State structures and sub-national government levels must be fully taken into account for the appointment of Member State coordinators.

Brussels, 12 October 2016.

*The President
of the European Committee of the Regions*

Markku MARKKULA

OPINIONS

COMMITTEE OF THE REGIONS

119TH PLENARY SESSION, 10, 11 AND 12 OCTOBER 2016

Opinion of the European Committee of the Regions — Simplification of ESIF from the perspective of Local and Regional Authorities

(2017/C 088/04)

Rapporteur: Petr Osvald (CZ/PES), Councillor of the City of Plzeň**POLICY RECOMMENDATIONS**

THE EUROPEAN COMMITTEE OF THE REGIONS

1. stresses that ESIF is one of the few EU instruments to have a direct, concrete and tangible impact on citizens' quality of life through hundreds of thousands of projects implemented all over Europe and so be capable of improving their overall opinion of the EU at a time when its popularity is declining. Therefore, this instrument should be further maintained and developed in accordance with its key objectives and principles. On the contrary, ESIF — and cohesion policy in particular — should undergo a process of analysis and improvement to increase its effectiveness and added value, with the aim both of achieving the EU's targets and the Europe 2020 strategy, and also benefiting other areas that are important to the lives of citizens, and thus improving their perception of the EU. One good and important way of achieving this is by simplifying the overall ESIF implementation system and increasing its flexibility;
2. warns that the procedure for using ESIF is getting more complicated not just with every programming period, but virtually every year. The Committee therefore very much welcomes the initiative of the current regional development commissioner, which underpinned the European Commission's efforts to seriously address simplification by not only setting up a high level group, but also inviting other partners to debate the issue. The CoR also points out that not only ESIF, but all financial programmes and EU policies, should be examined with a view to simplification;
3. welcomes the close cooperation with the Dutch and Slovak Council Presidencies in jointly discussing practical steps for simplifying ESIF implementation and suggests continuing this exercise with the upcoming Council Presidencies and in view of the debate on the future of cohesion policy;
4. notes that part of the simplification process has to be to focus on making the fundamental idea and spirit of cohesion policy a reality — and this is regional policy. It observes that cohesion policy in its current form is gradually moving away from regional policy and increasingly dealing with issues at national level. This is apparent, for example, from the fact that individual partnership agreements are based on the National Reform Programmes. Moreover, cohesion policy is subject to a large number of conditionalities at national level, which cannot be influenced by local and regional authorities and other beneficiaries. Cohesion policy is becoming increasingly complex and complicated, mostly due to the lack of trust among different political and administrative levels. This complexity, in turn, contributes to growing disparities in regions' development;
5. points out that the CoR represents local and regional authorities, which can act at various stages in the chain in the management of ESIF's implementation procedure and in particular, as final beneficiaries, managing authorities or stakeholders. It is clear from this role played by local and regional authorities that their insights and suggestions should be prioritised as part of the simplification process;

6. emphasises that for simplification to really work, it needs the active involvement not just of all the Directorates-General of the European Commission that are involved in planning and monitoring ESIF, including DG REGIO and DG EMPL, DG AGRI, DG MARE and DG COMP, but other institutions and EU bodies as well (such as audit authorities). The system must be simplified for both, the beneficiaries as well as administrative authorities;

7. recommends that the simplification process focus on reducing the red tape that is a burden to implementing bodies and on making the audit, reporting and certification of expenditure process less complex. The regulatory framework should be adjusted proportionately to the scale of the project and the effectiveness of the implementation system;

8. recommends that simplification should be approached systematically, and therefore feels that it would make sense to come up with a methodology for it, along with indicators to measure implementation and success. A distinction needs to be made, therefore, between two kinds of results: those where the insights and proposed solutions can be implemented immediately, and those that will be used in the next programming period. For the current programming period, given the ongoing implementation of operational programmes, far-reaching legislative changes are not realistic in the interest of legal certainty. Nevertheless, immediate actions should be envisaged through changes in implementation practices and non-legal requirements, better cooperation and more effective guidance as well as minor adjustments to the legislative framework of cohesion policy and related legislation. The simplification process should also be structured — according to fields (transport, environment, etc.), funds and the target areas within them (ERDF, ESF, etc.), level (national, regional, urban, local and borough), and the stakeholders involved (public, private, NGOs, etc.). As part of this process, it is necessary to identify the links and impacts both within this structure and outside it and to focus on the simplification of interinstitutional relations between the different levels involved in implementation;

9. suggests improvement of coordination between individual Funds and programmes at national level. This should be attained also through strategic management and planning during the programming period with the emphasis on general strategic work;

Basic questions and factors to determine what simplification is for:

10. emphasises that it is important for the success of the whole simplification process to answer these basic questions:

— Who are we simplifying for?

The CoR considers the target group to be final beneficiaries first and foremost and only then other bodies involved in implementing ESIF from the grass roots upwards, starting from local authorities which are delegated to act as implementing and/or intermediary bodies in the operational programmes,

— Why are we simplifying — what is the purpose?

The CoR takes the view that the main purpose of simplification is to facilitate the launch and implementation of creative projects that help to further territorial development, a sense of belonging in the EU, competitiveness and quality of life, and that therefore ultimately contribute to the development of the EU as a whole and the fulfilment of the Europe 2020 strategy. The aim of simplification is not to increase or facilitate spending of ESIF resources, but to increase the effectiveness and creativity of projects, while at the same time making them easier to develop and implement and less risky for beneficiaries,

— Why has the system become so complicated?

The CoR believes that the increased complexity of the system is essentially due to the effort to incorporate particular findings and observations into the general guidelines and templates, in an effort to unify the system. Spotlighting the fight against corruption and achieving greater transparency at all costs also play a part. The CoR feels that insufficient emphasis is placed on examining the adverse effects of specific measures and (albeit well-intentioned) interventions into the system on other measures. Lessons from one case cannot necessarily be transferred and extrapolated to others.

11. does not consider as simplification:

— Merely reducing the number of pages of regulations and guidelines.

Guidelines and regulations must be clearly formulated so that they are intelligible and there is clarity regarding their interpretation,

- Reducing the powers of the Commission and, in particular, DG REGIO.

In many cases it makes sense, in the interests of a uniform approach and interpretation throughout Europe, for the Directorate-General responsible for a given fund to have consolidated regulating powers so that other implementation levels do not adopt divergent and uncoordinated interpretations and approaches. A certain number of difficulties have resulted precisely from a lack of coordination between the different directorates-general and the other EU institutions (DG COMP, audit authorities, and so on),

- Designing more harmonising documents and templates.

We need to gauge whether steps taken in the given area in previous years really have made for greater efficacy, and to evaluate these steps. If we want to achieve simplification, it will be imperative to delete and abolish guidelines and general models that have not led to greater efficiency, and relax the implementation process instead of hampering it;

12. does consider as simplification:

- setting rules that make it possible to fulfil general targets by using different and more creative projects and approaches,
- instituting and applying a principle of mutual trust between the individual stakeholders taking part in the implementation process, with the establishment of a genuine contract of confidence between the Commission, the Member States and their regions for managing and auditing structural funds and combating fraud,
- reintroducing greater flexibility for beneficiaries and more scope for implementation at regional level while facilitating a direct working relationship and greater communication between the European Commission and beneficiaries, where the situation cannot be solved at national level,
- ensuring that relationships between managing authorities (national or regional) and local authorities (beneficiaries or implementing bodies) are more flexible and simplifying audit rules and the process for monitoring, reporting and certifying expenditure,
- promoting the principle of proportionality, so that the size of the administrative burden takes into account, in inverse proportion, not only the size of the project as a whole, but particularly the amount of aid granted,
- lowering of number of programmes — for example limiting the number of thematic OPs and their replacement for example by development of an integrated Operational Programme,
- concept of single methodological environment — setting the common rules for the whole system. Further development of technical tools for strategic work, such as for example the database of strategies — an information system containing respective documents, goals, responsibilities, and indicators,
- broadening of functioning of the monitoring system with the aim of simplifying the administration for project applicants,
- development and introduction of other tools for development of strategy work, for example evaluation of quality of strategies and quality of their realisation, hierarchy of strategies, development of capacities for strategic work in public administration,
- development and application of single terminology for Funds;

13. emphasises that simplification is a continuous process that should not be limited to implementing a few measures or drawing up a report or an opinion;

14. warns that many beneficiaries feel that using ESIF at the present time is a 'risky business', since they have no guarantee they will not fall victim to a 'force majeure' — that is to say, that funding for their project will not be scrapped or held up because of some dispute between their country and the Commission, perhaps about not meeting conditionality requirements, for example, or errors in the implementation system. And even when the beneficiaries' project has achieved its aim and effect, support could still be reduced or postponed for a variety of minor errors or because there have been objective grounds for changing the project in the course of implementation. They also face the danger, among a raft of other risks, that the findings of the audit authority on some other project will also be applied retrospectively to them. These elements all influence their willingness to use ESIF funds effectively. The project and its promoter must once again be made the focal point of cohesion policy, by creating conditions favourable to beneficiaries — particularly by cutting back on red tape and limiting reporting by project promoters to data on project delivery, by making the use of simplified costs standard practice and ring-fencing the decision not to question them during audits, and by informing promoters which obligatory documents must be stored in hard copy for a set period of time;

15. believes that it would be a major simplification if all EU funds applied the same eligibility rules. However, it is essential that responsibility for determining eligible costs remains at national level, and this should be harmonised across the EU Member States;

16. suggests that some already-existing institution or body could be entrusted with the authority and role of an ombudsman for ESIF, which beneficiaries could turn to as a last resort; due to the complex nature of the system, many beneficiaries, despite making an effort to deliver projects so they have the greatest possible impact, find themselves, paradoxically, in difficult situations that are not only devastating for them in economical and non-material terms, but also do much to foster the dim view the public has of ESIF and of the EU as such. This institution should not be geared solely to communications with DG REGIO, but particularly on addressing ESIF matters across the whole of the European Commission and other EU bodies. Such an institution is missing at EU level, although a raft of other DGs and other bodies get involved in the ESIF issue. It would also make sense for similar institutions to be established in Member States which do not already have them;

17. stresses once more that it is essential to avoid retroactive findings. Current rulings and changes to procedures or guidelines should not be applied retroactively to other projects, even incomplete projects that are at an advanced stage of implementation. The prevention of retroactivity is a measure that can be applied quickly and that will reinforce legal security for beneficiaries;

18. advises that the simplification process include reforms to facilitate greater flexibility because the growing complexity of the processes is mostly caused by decisions that are specific to certain projects being incorporated into the general guidelines and directives. To this end, the CoR advises that a working group should be set up made up of specialists in the practical implementation of ESIF to put forward proposals on changes and discuss them with the European Commission and other bodies;

19. warns of frequent cases of discrepancies between the EU's legal framework for ESIF and national legislation in apparently unrelated areas, such as laws on financial control or public procurement, which causes fragmentation and different approaches in various Member States; recommends therefore that EU legislation and guidelines concerning ESIF should take precedence over conflicting national or EU legislation because ESIF uses EU and not national funds, even though co-financing is provided from national or sub-national resources, in order to prevent gold-plating;

20. proposes that examples of good practice be transferred from countries and programmes that in the past had negligible or low error rates. At the same time, care needs to be taken that the conditions are the same for all countries (even though national legislations differ). At present, different territorial units often have diametrically opposing approaches. Situations arise, in fact, where what is considered a correct and routine approach in one country is seen in another as seriously flawed. This does not change the fact, of course, that administrative burdens should take into account the size of projects, the amount of aid and the quality of the implementation system;

21. points out that if the simplification process is to succeed, the task we face is to reconcile measures combating corruption and reducing error, on the one hand, and cutting the administrative burden of ESIF on the other. We must review the implementing and management provisions that put fraud and unintentional errors on an equal footing, leading to a climate of mistrust between stakeholders and a disproportionate administrative burden for the project promoter. Individual measures that are introduced over time to guarantee transparency and fight against corruption and fraud significantly complicate the entire system. We need to verify a posteriori which of these measures really work and which merely complicate the system and criminalise honest beneficiaries for trivial errors. The fight against corruption should not mean that we treat every beneficiary a priori with mistrust. It should be based on trust, cooperation and clear accountability. This fight should be underpinned by basic moral principles and accountability for achieving what the beneficiary has undertaken, and not on using errors detected to design an inflexible template that — on the contrary and often ineffectively — will bind other beneficiaries. Concentrating just on meeting formal requirements and schedules could in fact itself lead in some cases to funding being taken up expediently or improperly — and with impunity;

What the issue involves:

22. following discussions held internally and with other partners, identifies these key elements of the issue that need to be resolved.

Procurement:

23. As was demonstrated in the workshop on simplification, even though procurement works without any problems in some Member States, representatives of a number of countries currently consider procurement to be one of the most fundamental problems of implementation. We therefore consider that there should be clear EU-wide rules for public procurement under ESIF which would take precedence over national legislation in this area. These are mostly EU and not national resources and therefore calls for tender should be governed by EU-wide and not national rules. In addition to this, the procedures for public tenders should help to deliver the most effective end product and, to achieve this, provide the various types of tender with an element of flexibility, instead of hamstringing the contracting authority and the applicant in a purely formal way in various binding, standardised procedures and processes. Among other things, the value threshold for publication on the public procurement portal and in the Official Journal of the EU should be raised.

24. As was demonstrated in the workshop on simplification, even though procurement works without any problems in some Member States, representatives of a number of countries warn that the current system is so complicated and risky that smaller contracting authorities are not in a position to draft public tenders themselves and have to use the services of external specialist companies, though this does not exonerate them from responsibility for possible errors. This has created a whole new industry. The paradox is that in some instances selecting a company to draft the call for tenders itself requires a call for tender.

25. As was demonstrated in the workshop on simplification, even though procurement works without any problems in some Member States, representatives of a number of countries warn that most errors in public procurement are genuine mistakes resulting from complex rules. As a result project promoters are frustrated by *ex post* audits, which often arrive at a late stage in proceedings, when fixing mistakes is no longer possible and when they do not even have the possibility to ask for a provisional binding ruling. The CoR therefore suggests that audit opinions and other control procedures for public procurement should be performed primarily *ex ante* in order to anticipate errors, which are very frequent in this area in particular, and thus reduce the number of financial corrections.

26. It should also be noted that the legislation for the process of assigning contracts focuses on the contracting authority, who is also sanctioned and persecuted for the slightest error, whereas many harmful interference in the results of public procurement takes place on the basis of agreements between tenderers. In areas and segments in which the market is overwhelmingly monopolised, the current public procurement system often does not fulfil its purpose and can even be counter-productive. This is why it would be wise to reflect on the system as a whole and consider completely reassessing the philosophy of the entire system. This is especially the case in smaller countries where the monopolisation of the market is much more pronounced.

27. It is important that the recently released Guidance for Procurement for ESIF (Guide on public procurement) is urgently reviewed as it refers to the old directives and not to the new Procurement Directives that were approved in 2014 and which entered into force earlier this year. In that respect it is essential that input into the new Guidelines is subject to a proper Territorial Impact Assessment that enables direct input from local and regional experts. This is provided for in the Better Regulation Package, which recognises the role of the CoR as a key partner in better scoping the local and regional impacts of EU proposals.

Application of State aid law:

28. The question of State aid has become much more complicated over the years and, despite a partial improvement in some programmes recently, the situation remains very complicated for beneficiaries and managing authorities. As we speak, there is no clear, comprehensible interpretation of State aid, with judgements everywhere being based solely on applications and findings. The national authorities tasked with interpretation often have diametrically opposed views and are usually unwilling to issue clear-cut and binding opinions. In a number of countries these authorities are not part of the ESIF implementation system and no clear accountability attaches to their opinions. It would therefore be advisable to incorporate national authorities into implementation structures (in cases where they are not yet incorporated) and oblige them to issue unambiguous statements. Moreover, in some cases, paradoxically, operators in the private sector tend to be in a better position than those in the public sector, with a number of guidelines, regulations and measures they are not required to follow. Although it is much rarer for public bodies to act as competitive economic players and their activities are not carried out with the aim of making a profit, they must undergo the same processes as private bodies.

29. There is also another important inconsistency in the application of State aid rules. While programmes managed centrally by the European Commission (such as Horizon 2020, CEF and the European Fund for Strategic Investment) are exempt from State aid procedures, funding under the EU's cohesion policy is not exempt. In terms of State aid, then, projects are not in practice judged on their merits but according to whether it is the Commission or the Member State that grants the funds and the source of their funding.

30. In this context, the CoR wishes to point out that the basic purpose of cohesion policy is to ensure equal conditions for less developed regions — by providing more funding and a higher rate of co-financing from the EU. It is therefore possible to view cohesion policy as deliberate market distortion. This is why the CoR believes that the procedures that apply to State aid should not in any way apply to ESIF.

31. Particular attention should be paid to the application of State aid under European Territorial Cooperation programmes. Generally speaking, the effort needed to comply with State aid rules is disproportionate to the risk of distortion of competition. Moreover, State aid is often subject to different interpretations in different Member States and it is therefore not possible to apply these rules with adequate legal certainty, which often makes it quite impossible to carry out high-quality projects. One measure that could be implemented quickly in order to simplify ESIF would be to remove European Territorial Cooperation from the area of application of State aid rules, as is the case for the Horizon 2020 programme, for example.

32. There is also an issue of clarity and proportionality. Given the small scale of some projects, particularly at local level, it is important that the framework of exemptions from State aid rules is made clearer. At the moment there is often confusion over when and how the *de minimis*, Service of General Interest, General Block Exemption and Regional State Aid Guidelines operate. The European Committee of the Regions calls for a better, user-friendly consolidated guidance to be developed already during this programming period and calls for the forthcoming revision of the State aid rules to improve and simplify the existing framework.

33. Given the revised approach to defining an enterprise, supporting jobs, innovation and business in the regions also requires raising the aid ceiling in line with the *de minimis* rule.

Monitoring and audits:

34. Lack of consistency in audit methodologies at national and European level is perhaps the biggest challenge for the ESIF implementation process. Managing authorities and different European and national audit authorities frequently arrive at different interpretations of the same rules, while at the same time they are not in any way liable for the audits that are carried out. ESIF projects should be subject to a single audit system (a one-stop shop) at Member State and EU level that will issue a binding opinion — including on public procurement and be accountable for it. The final beneficiary himself should also have the right to request audits so that he can be sure that implementation has been carried out properly and no danger looms in the future — or so that he can make corrections. This also requires a more flexible approach to data sharing and integrated IT solutions such as electronic forms and databases as a precondition to developing a one-stop shop that reduces the form filling burden for beneficiaries and managing authorities. Making a ‘user-friendly’ electronic system standard practice will minimise the documents to be scanned and downloaded. Priority should therefore be given to IT applications that enable the beneficiary’s administrative records to be retrieved directly from the source (such as employees, turnover, fulfilment of tax and social obligations). However, this requires a prior risk assessment on what and which data can be shared and also requires the involvement of the Commission, national and regional audit bodies as well as the European Court of Auditors from the outset, perhaps developing a common Audit Vademecum, to avoid audit issues further down the line. As things stand, auditing is seen as a punitive enforcement measure. As a rule, audits only address the administration of the project and compliance with the procedures laid down and any deviation is severely punished, even if carried out to improve the effectiveness of the project, due to unforeseeable circumstances, or to save money. The CoR therefore proposes that auditors focus on the real cost efficiency and take into consideration the financial seriousness of the mistake and the particular situation (more proportionality in audits). Proportionality should be added to the inspections and compliance rules by enabling higher tolerance levels to minor infractions. We should move towards a more proportionate (with less on-the-spot checks for better performing programmes or delivery bodies) and an outcome-based approach to inspections (so that more than one type of inspection can be carried out on a single visit, something which is particularly important for multi-fund programmes and operations), as well as a more proportionate audit focusing less on penalties and more on improvement and in ensuring the broader outcomes of Cohesion Policy. The auditor should be looked upon as a partner in solving problems and searching for the most effective way to identify and rectify mistakes. This requires a very different attitude from auditors.

35. Administrative and audit authorities should work hand in hand from the programming phase until the conclusion of programmes, as this is the only way to prevent different interpretations of the same rules. A common control system or a common understanding of the control system we should be aiming at should prevent the same operation being audited several times, since different audit authorities should, as a rule, build on and complement each other’s opinions. In this context, the CoR proposes extending the scope of the proportional control mechanism described in Article 148 of Regulation (EU) No 1303/2013, by applying it not only to the audit authority and the Commission, but also to all types of audit, including those carried out by the managing and certification authorities and the European Court of Auditors. More generally, greater emphasis should be placed on subsidiarity in the audit. The Community audit should be confined to compliance with ESIF rules. The Member State and its managing authorities should assume responsibility for checking compliance with national legislation (including laws derived from European legislation). This subsidiarity in audit activities should be conditional upon the establishment of a contract of confidence between the Commission and each Member State.

36. Also suggests raising by 50 % the thresholds below which an operation shall not be subject to more than one audit prior to the submission of final expenditure.

37. Where projects involve several partners, it is unacceptable that, because of irregularities discovered in connection with one of the partners, the whole partnership or, in an extreme case, the whole programme should be penalised with a financial correction.

38. Although there are some states in which appeal systems work without serious problems, in certain other states these systems, even though they were established on the basis of Article 74(3) of Regulation (EU) No 1303/2013, differ widely and do not always fulfil their role from the point of view of the beneficiary. A single, understandable and rapid appeal system should thus be put in place both at Member State level (where this does not exist) and at EU level. This system should apply not only to audit findings, but to decisions at all levels and in all areas (such as State aid).

Increasing regulatory burdens (gold-plating):

39. The practice whereby Member States go beyond the minimum requirements when transposing EU legislation into national law is supposedly a problem of the Member States and not the European Commission. Nevertheless, the reason it happens is because the Commission's regulations and implementation guidelines allow for it. If the intention is to reduce the practice to a minimum, the Commission must be given a stronger role in this area. It must clearly stipulate in its regulations and implementing guidelines clear absolute requirements that can be neither tightened nor loosened. This applies to public procurement and auditing, among other fields. ESIF resources are EU funds, so the rules should be set by the EU and not the Member States.

40. Additional regulatory burdens also occur because in many cases the implementation guidelines are not drafted at European Commission level until the programmes are being carried out. Member States and managing authorities are therefore forced to develop their own guidelines, which are different from those that the Commission publishes *ex post*. As a result, regulations regarding ESIF must be drafted at the same time as the guidelines, and not afterwards as a means of clarifying and interpreting the way that each of the different articles of the regulation should be interpreted. This approach often results in a delay of more than a year in taking up operational programmes and in additional revisions that again adversely affect the level of ESIF take-up. The number and scope of guidelines and methods must be significantly reduced. At the same time the focus should be on clarity and effectiveness rather than scope, so that the system does not become more complex and ineffective. They should be unambiguous and should not be changed in the course of implementation. On no account should guidelines be retroactive.

Programming and thematic concentration:

41. It would be expedient to examine to what level programming and thematic concentration should be carried out. Currently, programming impacts on every level of implementation right down to the grass roots. For this reason general goals should be set, as part of a thematic focus, together with the main indicator for how well each of them is being met. Managing authorities should be given leeway as to what activities will enable them to achieve this goal in this or that region, in order to better take into account the needs of the regions with regard to their specific features and the challenges they face. If the goal is to create more jobs, some degree of latitude should be made possible regarding what resources are used to meet it. In some regions, depending on their level, work in areas such as research can help meet the goal; in others it might be tourism. Support for cross-border cooperation, in particular, which aims to integrate regions across borders, should take into account the specific needs of the cross-border region in question and so enable support for important activities beyond the thematic objectives of the EU2020 strategy. An example here could be the Small Projects Funds that support people-to-people projects, tourism and missing transport links. It would generally be worthwhile considering whether all ESIF conditions should apply to European territorial cooperation. It should be ensured that there is no decrease in financial allocations.

42. Programmes should be made more flexible so that they can react flexibly to new situations and to rapid technological development. This flexibility should be genuine, however. In other words, it should be possible to limit and simplify the whole process for amending a programme. The need, for example, to carry out a new SEA assessment should not be considered as genuine programme flexibility. In the above-mentioned case, for example, it should only be necessary to consider carrying out an SEA assessment in cases in which reprogramming entails specific objectives with a significant environmental impact that has already been identified.

43. Regulation (EU) No 1303/2013 has introduced two instruments that would provide an integrated territorial approach, i.e. Integrated Territorial Investments and JAPs (joint action plans), which would make integrated development of a particular area or region possible. However, the Member States have received very little encouragement from the Commission to use the instruments, not least in that they were defined by the Commission in its delegated and implementing acts in a somewhat vague and complex way. Greater implementation of the two instruments would result in:

- a partnership approach to framing development policy for individual areas,
- effective implementation of measures according to the bottom-up principle, along with synergies that are easier to achieve in a smaller subnational area,

- an additional basis for direct approval of an integrated project as well as direct allocation of funds, thanks to clearer definition of the aim and rationale behind individual elements of the integrated approach, and
- more effective and efficient achievement of cohesion policy objectives;

44. In the case of integrated territorial investments (ITI), management systems are required that are totally out of proportion to the amount of financial resources this instrument dispenses. Equally, as highlighted by the Committee opinion on Community Led Local Development (CLLD), the number of separate rules that are required to comply for each fund, which are also often run by separate Managing Authorities, act as a disincentive to develop a CLLD beyond EAFRD. This results that these very innovative integrated local development tools have seen so far a limited deployment on the ground. The need to create these systems not only makes managing the instrument disproportionately more expensive and weighs heavily on those involved, it also significantly complicates and delays the implementation of the projects.

45. notes that the fact that cohesion policy rules are changed on a 7-year basis or even more frequently has not helped to simplify cohesion policy but rather had the opposite effect. However, a legal framework covering more than one programming period would require prior radical simplification. Smaller, beneficial changes in the cohesion policy implementation system are always possible and desirable, but more substantial changes should be introduced less frequently and prepared well in advance. The impact of these changes should be analysed in advance and, respecting the partnership principle, be discussed in advance with the relevant partners, who are not just the Member States, but also the local and regional bodies represented by the Committee of the Regions.

Financial Instruments:

46. Sees the use of financial instruments as an important element to increase the leverage effect of ESIF programmes and to combine ESIF and EFSI funding. There is however an urgent need for simplifying the set-up, the reporting requirements and the audit rules for financial instruments under ESIF as it was recently stated at the joint workshop with the Slovak Presidency of the Council ⁽¹⁾ on the matter.

47. Recommends that the European Commission examines why the off-the shelf instruments for financial instruments so far are not being used in most Member States;

48. Takes note of the findings of the recently published report of the European Court of Auditors Implementing the EU budget through financial instruments — lessons to be learnt from the 2007-2013 programme period and invites the Court to also assess the implementation of financial instruments in the current funding period.

Concluding recommendations:

49. takes note of the recently published Omnibus Regulation ⁽²⁾ which also includes changes to the ESIF regulations particularly with regard to simplifying the use of financial instruments and simplified cost options in ESIF programmes.

- Points out that this opinion cannot provide a full assessment of the changes proposed in the Omnibus regulation and the positive impacts they might have on beneficiaries and the local and regional authorities implementing the ESIF funds,
- Underlines the need to analyse such effects and to ensure that the final beneficiaries and public authorities implementing the funds at local and regional level will benefit from real simplification and not suffer from further complications of the current situation,
- States that the omnibus regulation cannot be considered in isolation, but must be analysed and assessed in relation to its effects with other EU policies and national laws, which can have an important influence on the success of the actual effect of its implantation on the ground; pleads for a speedy adoption process of the changes proposed in the omnibus regulation to ensure an immediate effect in the current funding period for a better implementation of the ESIF programmes;

⁽¹⁾ Following the conclusions of the General Affairs Council of 18 November 2015, the CoR organised with the Dutch and Slovak Council Presidencies three workshops on simplifying cohesion policy Further information can be found here: <http://cor.europa.eu/en/takepart/Pages/simplification-documents.aspx>.

⁽²⁾ Regulation of the European Parliament and of the Council, COM(2016) 605 final 2016/0282 (COD).

50. proposes that for the purposes of simplification, the EC shall collect and monitor 'bad practice' projects. This would serve to illustrate the need to simplify and adapt the approach and would complement the exchange of best practice regarding the implementation of ESIF. Given the practical experience of CoR members, the CoR should play a key role in the process;

51. The basic documents for the individual funds in the 2014-2020 programming period were published by the Commission so late that it was impossible to begin implementation at the start of the programming period. There were long waiting times and difficulties in coordinating the individual OPs. In future, the documents should be published all together and in good time.

52. Reiterates that practical tools exist which could help ensure that the simplification of the management of ESIF is effective. The standardisation of procedures, the widespread use of IT tools and e-governance are among the basic elements that are widely applicable to these funds. In addition, progress should continue to be made, among other things, in the use of standard costs, which eliminate administrative burdens, and in the simplification of reports and monitoring, which may avoid additional bureaucratic burdens for beneficiaries and the various authorities involved in managing these resources.

53. notes that pursuing the principle of partnership with local and regional authorities more readily in the design and throughout the implementation of ESIF would enable the European Commission to obtain feedback that would contribute in a decisive way to simplifying and increasing the effectiveness of the implementation process.

Brussels, 11 October 2016.

*The President
of the European Committee of the Regions*

Markku MARKKULA

Opinion of the European Committee of the Regions — State aid and Services of General Economic Interest

(2017/C 088/05)

Rapporteur: Markus Töns (DE/PES), Member of the North Rhine-Westphalia *Landtag*

THE EUROPEAN COMMITTEE OF THE REGIONS

General comments

1. refers in this own-initiative opinion to the following Commission initiatives: (1) the Commission notice on the notion of State aid under Article 107(1) TFEU ⁽¹⁾; (2) the consultation procedure on drawing up a proposal to extend the General Block Exemption Regulation (GBER) ⁽²⁾, under which certain investment aid for ports and airports is to be exempted from prior State aid assessment by the Commission; (3) the Commission's intended review of the Almunia package and revision of the regulation on *de minimis* aid for SGEIs, which is due to expire;

2. notes that EU State aid rules for services of general economic interest (SGEIs) should not be limited in their application to competition principles, but must be fully consistent with the broad discretion granted by the Treaties to the Member States in determining what represents an SGEI, as well as the principles of local and regional self-government, economic, social and territorial cohesion, and neutrality as regards ownership in the Member States (Article 3 TEU, and Articles 14, 106 and 345, and Protocol 26, TFEU). SGEIs must reflect the differences in needs, user preferences and public procurement systems that can result from variations in geographical location, social and cultural situations, and democratic processes in the Member States. It should be noted that State aid scrutiny may only be carried out if national, regional or local regulation or financing of an SGEI has cross-border effects or implications for the internal market;

3. would highlight the prominent role played by SGEIs in growth and employment, and the fact that they are often the condition for further public and private investment. They must therefore also be seen from the perspective of the EU investment agenda. The Commission's Annual Growth Survey 2016 is relevant here, as it states: '... it is essential that Member States promote social investment more broadly, including in healthcare, childcare, housing support and rehabilitation services to strengthen people's current and future capacities to engage in the labour market and adapt. [...] Social investment offers economic and social returns over time, notably in terms of employment prospects, labour incomes and productivity, prevention of poverty and strengthening of social cohesion';

4. therefore calls for more consideration of how to support SGEIs using EU aid within the State aid rules, for instance looking at whether the application of the State aid rules should be further simplified, perhaps through the introduction of a presumption — linked to simple criteria such as consistency with adopted operational programmes — that ESIF funding is compatible with State aid. This is because the unequal treatment of directly managed EU funds such as EFSI, Horizon 2020 and the ESIF in the field of State aid is unjustified, increases administration and impedes synergies between the funds, which the European Commission itself is also pursuing;

5. laments the Commission's continuing refusal to take Article 14 TFEU as the legal basis for State aid rules for SGEIs, as doing so would provide for a proper legislative procedure and consequently more legal certainty and democratic legitimacy;

⁽¹⁾ See notice of 19 May 2016: http://ec.europa.eu/competition/state_aid/modernisation/notice_aid_en.html

⁽²⁾ http://europa.eu/rapid/press-release_IP-16-622_en.htm

6. observes that EU law governing State aid in relation to SGEIs has become too detailed and too abstruse because of its complex content, competing definitions of concepts, and adjustments over many years. Red tape must be reduced for the public authorities granting aid and for companies, and Commission resources should be targeted at applying State aid provisions in cases which have the most impact on the internal market. The complexity of the rules can also mean that they are insufficiently familiar and that the special conditions available for SGEIs are therefore not taken advantage of. The Commission is therefore urged to tighten up the multiplicity of secondary legislation and 'soft law' texts relating to aid (regulations, communications, guidelines, etc.) and, where appropriate, collate these;

7. reiterates its fundamental opposition to the European Commission's inclusion of additional quality and efficiency considerations in the compatibility test for financing of SGEIs. The Commission's remit as defined in the competition chapter of TFEU does not include setting quality and efficiency criteria which further restrict the discretion of local and regional aid providers. Decisions on quality and efficiency must be left to local and regional authorities⁽³⁾;

8. points out that EU trade agreements do not prejudice the right of the EU, its Member States and their local authorities to themselves regulate, provide or support services, and would expect the guarantees given by the European Commission in the negotiations on the TTIP agreement to also obtain for all other negotiations on trade agreements, i.e. that there should be no encroachment on countries' powers to introduce or retain provisions to protect the high quality of services and important objectives of general interest, such as health protection, public safety or environmental protection, that no privatisation of services should be provided for, that the public sector should be able to expand its existing range of public services, and that it should be possible to offer public services that were previously delivered by private providers⁽⁴⁾;

9. reiterates its concern, in view of the interplay between SGEIs and public investment, that no distinction is made between public expenditure and public investment in the accounting standards of the new European System of National and Regional Accounts (ESA 2010) from Eurostat, which has been in effect since September 2014. Moreover, in certain Member States these standards are being transposed into national law in a way that results in local and regional authorities being obliged to apply public investment ceilings per year and per inhabitant. These upper limits also hamstringing those local and regional authorities that have reserves which they could use to launch extensive SGEI investment projects. The European Commission is therefore urged to present a report on the implementation of ESA 2010⁽⁵⁾;

Notice on the notion of State aid⁽⁶⁾

10. points out that the authority to decide that an activity constitutes a service of general economic interest lies with the Member States based on their established cultural and political systems and the need for these activities to develop continuously, and that local and regional authorities have full autonomy to decide which services they regard as of general economic interest;

11. welcomes the publication on 19 May 2016, 2 years after the consultation procedure during the first half of 2014, of the Commission's notice on the notion of State aid under Article 107(1) TFEU, which sets out the scope of application of EU State aid rules. The European Committee of the Regions recognises that the Commission's intention is to focus its resources on ensuring State aid rules are applied in cases that have the greatest impact on the internal market, but would also point out that the notice does no more than provide an interpretation of the concept of State aid in those areas where the Court of Justice has already delivered a ruling, and therefore wonders whether this approach is perhaps too restrictive and fails to reflect various dynamics in the sphere of public investment, e.g. in relation to tax issues and the development of new social services;

⁽³⁾ See point (29) of the CoR opinion of 30 November 2012 on *EU State aid modernisation*.

⁽⁴⁾ http://europa.eu/rapid/press-release_STATEMENT-15-4646_en.htm

⁽⁵⁾ See point (20) of the CoR opinion of 3 December 2014 on *Promoting quality of public spending in matters subject to EU action* (BUDG-V-009).

⁽⁶⁾ http://ec.europa.eu/competition/consultations/2014_state_aid_notion/index_en.html

12. welcomes the confirmation in the notice that the concept of negative effects on intra-EU trade is limited. In fact, based on seven rulings on individual cases of 29 April 2015 ⁽⁷⁾ and in line with the recommendation in the original CoR draft opinion, aid for local infrastructure or local services that would have very little impact in other Member States and that has only marginal effects on cross-border investment is henceforward considered not to fall within the scope of EU State aid rules ⁽⁸⁾;

13. takes note of the Commission's position that public investment for building or modernising infrastructure does not constitute State aid if the infrastructure in question is not in direct competition with other infrastructure of the same type, while disagreeing with the Commission's simplistic view that this is generally the case for road and rail infrastructure, inland waterways and water supply and sewage networks, but not in areas such as energy, broadband, airports or ports;

14. welcomes the clarification that State aid rules do not apply to public support for certain cultural activities of a non-commercial nature that are made available to the public cost-free or for a charge that covers up to 50 % of costs; this will substantially reduce the high audit burden for local and regional authorities — although an audit remains necessary in individual cases — and lead to greater legal certainty in dealing with public support for culture;

15. would therefore like the European Commission to spell out that a local service does not pose a threat to trade and also that the burden of proof is on the complainant and/or the European Commission to demonstrate that a real or potential threat exists to intra-Community trade;

16. would like there to be legal certainty in future for local and regional authorities when deciding which activities they can support without breaching State aid rules;

17. with reference to the action plan *Towards a single EU VAT area* presented in April 2016, on which the Committee of the Regions is drawing up a separate opinion, is not in favour of limiting the scope of VAT exemption for SGEI activities;

General Block Exemption Regulation (GBER)

18. emphasises the usefulness of the FAQ guide to the current GBER ⁽⁹⁾, which summarises the questions of national authorities and answers from the European Commission, although it notes that sometimes these answers do not entirely resolve the doubts over interpretation in the Member States;

19. welcomes the European Commission's initiative to conduct a preliminary consultation, which will be open until 30 May 2016, on a further revision of the General Block Exemption Regulation (GBER) ⁽¹⁰⁾ with the aim of exempting State aid for port and airport infrastructure from the notification requirement, since the red tape for public authorities and final beneficiaries is being reduced in line with the increase in the GBER's scope;

20. notes, however, that in the case of ports there is no prior legal basis for compatibility criteria for investment aid which could have enabled the Commission to draw up a list on grounds of greater legal certainty, and therefore calls on the Commission to further explore the issue of whether or not State aid has been provided with reference to types of investment and size of ports, and to take account of the specific ways that ports are organised in the individual Member States, also bearing in mind their public role;

21. notes that various measures taken by the Member States with regard to inland ports may not constitute State aid because the beneficiary is not carrying out an economic activity or because the measures do not have an impact on trade between Member States. In some circumstances, this could be the case for aid for purely local inland port infrastructure or aid for infrastructure in inland ports which are landlocked and do not allow for trade or communication with other Member States by means of waterways and thus do not distort competition;

⁽⁷⁾ http://europa.eu/rapid/press-release_IP-15-4889_en.htm: Czech Republic/Hradec Králové public hospitals (SA.37432), Germany/Medical centre in Durmersheim (SA.37904), Germany/Städtische Projektgesellschaft 'Wirtschaftsbüro Gaarden — Kiel' (SA.33149), Germany/Landgrafen-Klinik (SA.38035), Netherlands/Investment aid for Lauwersoog port (SA.39403), United Kingdom/Glenmore Lodge (SA.37963), and United Kingdom/Member-owned golf clubs (SA.38208).

⁽⁸⁾ See points (196) and (197) of the *Commission Notice on the notion of State aid pursuant to Article 107(1) TFEU*.

⁽⁹⁾ http://ec.europa.eu/competition/state_aid/legislation/practical_guide_gber_en.pdf

⁽¹⁰⁾ http://ec.europa.eu/competition/consultations/2016_gber_review/index_en.html

22. calls for the GBER to include an exemption for State aid for ports or at least for specific categories of ports, in tandem with the call regarding certain airports (see point (28));

23. is concerned that, once the case of port infrastructure is incorporated into the GBER, any public support which comes under the definition of State aid and cannot be exempted becomes subject to an extremely complex assessment with an uncertain outcome, with a view to possible direct approval on the basis of the Treaty, and therefore urges the Commission to propose the adoption of specific guidelines for this aid where it is above the exemption threshold;

24. explicitly supports the European Commission's approach to investment aid for regional airports, whereby: 'It is not appropriate to establish a notification threshold in terms of the amount of aid since the competitive impact of an aid measure depends mainly on the size of the airport and not on the size of the investment.'

25. trusts that the European Commission will ensure alignment with existing EU law in relation to the 'Definitions for aid for regional airports';

26. reaffirms the view it has previously expressed that the Commission should focus on large airports and that State aid measures for small airports with average traffic of less than 300 000 passengers per year should not fall within the scope of State aid, given that these airports can have no notable impact on trade between Member States, that they are unable for structural reasons to cover their capital and operating costs⁽¹¹⁾ and that public support is intended for the development of a safe and economically viable air traffic infrastructure in regions with poor transport connections⁽¹²⁾; this should, of course, go hand in hand with a significant increase in the exemption threshold for aid to airports providing SGEIs (currently set at 200 000 passengers per year), restoring the threshold of 1 million passengers per year which was in place before the Almunia package on SGEIs was adopted. The prerequisite for such action must nevertheless be that a reasonable level of connectivity cannot be achieved by any other means;

27. is doubtful that small airports are capable of covering a minimum 25 % of investment costs from their own resources, and asks the Commission to ensure that this aid is as a rule not targeted at increasing capacity but used mainly for infrastructure needs;

28. calls for the GBER to also include an exemption for State aid to airports, since the European Commission guidelines on State aid to airports and airlines (2014 guidelines, paragraph 112 ff.) contain clear requirements, for instance with regard to calculating the initial funding gap, which can also be complied with in the context of an exemption;

29. considers that the current provisions for ports and airports need to be adapted to the situation in the outermost regions, with regard to both investment aid and operating aid, given the poor access in these regions and their complete dependence on the maritime and aviation sectors, which represent the sole viable transport alternative in these isolated areas;

30. would be in favour of increasing the notification thresholds for investment and State aid for culture and heritage conservation by 100 % instead of only 50 % as proposed for a revised GBER (the Commission proposes increases of EUR 100 to 150 million per project for culture and EUR 50 to 75 million for heritage conservation per undertaking per year) and calls for greater alignment of GBER standards and provisions with the Communication on the notion of State aid: the communication has clarified a number of key points, a move welcomed by the Member States, but these clarifications do not have the same binding effect as a directly applicable regulation such as the GBER;

31. in line with the increase in the threshold requested in the previous point, as regards investment and State aid for culture and heritage conservation, calls for a EUR 1 to 2 million increase in the threshold below which the method for calculating aid described in Article 53(8) of Regulation (EU) No 651/2014 may be applied, with State aid set at 80 % of the project's eligible costs (as an alternative to the method described in Article 53(6) and (7) of Regulation (EU) No 651/2014);

⁽¹¹⁾ CoR opinion on *EU guidelines on state aid to airports and airlines*, 28 November 2013, COTER-V-043.

⁽¹²⁾ See European Commission decision on Angoulême airport, 23 July 2014: http://europa.eu/rapid/press-release_MEMO-14-498_en.htm

32. also asks the Commission to clarify the status of State aid for infrastructure measures in a revised GBER. Based on the Propapier/Eisenhüttenstadt decision of 1 October 2014⁽¹³⁾, it should always be considered in the case of general infrastructure measures whether the positive effects of the State aid for regional development do not outweigh the negative impact on competition;

33. looks forward to sports infrastructure and multifunctional recreational infrastructure being put on an equal footing in the revised GBER so that operating aid for the latter infrastructure is also exempted up to the level of EUR 2 million per infrastructure per year;

Services of general economic interest

34. advocates actively widening the concept of SGEI: new social services, such as social services in connection with the initial reception and integration of refugees and migrants, or digital infrastructure in regions where a market failure is apparent, such as regions facing the challenges of demographic change, could qualify as services of general interest owing to the need for a comprehensive service to citizens. New developments in the future should also be subject to appropriate regular appraisals and it should likewise be possible at Member State level to regard them as SGEIs if necessary;

35. takes issue with the Commission's attempt in the current communication on SGEIs to widen its room for manoeuvre with regard to what can be classified as an SGEI by referring to 'normal market conditions'⁽¹⁴⁾. This not only conflicts with the principles of local and regional self-government but is also a condition that is almost impossible for public authorities to prove they are compliant with in practice;

36. points out that the fourth criterion set out in the *Altmark* judgment only created an incentive for the Member States to use the provisions to put services out to tender rather than encouraging them to adopt an SGEI-based approach. In fact, local and regional authorities face the problem that no benchmark is available for the second alternative of the fourth *Altmark* criterion — i.e. a typical undertaking, well run and adequately provided with means — in cases where there are no private companies operating in the sector concerned. The Commission is therefore asked to draw up detailed guidelines, with a view to meeting the fourth *Altmark* criterion, as to what a typical, well-run and adequately resourced undertaking is, drawing on market studies which will make it possible to identify certain standard costs, so as to make it easier for public authorities and thus exempt an SGEI activity from State aid assessment;

37. considers it essential for the definition of reasonable profit of an SGEI to be revised, in particular so as to reflect the fact that, through incentives or an increase in the percentage of recognisable reasonable profit, such profit is often reinvested in SGEIs;

38. repeats its call for the *de minimis* thresholds to be increased in the case of State aid for SGEIs. The thresholds for assessing the admissibility of aid for SGEIs should be set at EUR 1 million per case per 3 tax years. Below this threshold it would be assumed that the aid does not meet all the criteria for State aid given that, in view of the often local context of SGEIs, there can be no cross-border distortion of trade or competition that would harm the internal market;

39. believes that the threshold for exemption from the notification obligation under Article 108(3) TFEU of State aid in the form of a public service compensation for companies entrusted with delivering SGEIs should be increased from no more than EUR 15 million per year to the threshold in effect before 2011, which was EUR 30 million per year;

40. is in favour of an extension of the normal duration of entrustment acts to more than 10 years so as to better allow for the cost of entrustment and recouping of investment by entities entrusted with SGEI provision;

⁽¹³⁾ State aid register, DG Competition, case SA.23827.

⁽¹⁴⁾ See point (48): '(...) it would not be appropriate to attach specific public service obligations to an activity which is already provided or can be provided satisfactorily and under conditions, such as price, objective quality characteristics, continuity and access to the service, consistent with the public interest, as defined by the State, by undertakings operating under normal market conditions'.

41. also advocates widening the definition of social housing contained in the Commission Decision of 20 December 2011: to give the Member States more discretion in planning, delivering, financing and organising the construction of social housing and guarantee the democratic right to choose, the restriction of social housing to 'disadvantaged citizens or socially less advantaged groups' should be removed. The right to adequate and affordable accommodation should be given more priority, because the inability of the housing market to meet everybody's accommodation needs affects not just people who have no access to housing at all, but also the occupants of housing that is hazardous to health, inadequate or overcrowded, as well as people who are paying most of their income on rent or their monthly mortgage payments;
42. calls for capacity-building between the European Commission and the Member States to improve understanding of State aid as it affects SGEIs. There must also be direct dialogue between the European Commission and local and regional authorities, and assistance should be provided;
43. urges all the Member States to work with the European Commission to introduce appropriate communication and coordination procedures and develop guidelines making the complex assessments of State aid in relation to SGEIs easier for local and regional authorities. The Member States should also involve local and regional authorities and their associations when drawing up their national reports on implementation of the Almunia package, so as to ensure a realistic assessment of actual difficulties and challenges relating to SGEIs;
44. calls for legal certainty to be established for local and regional authorities by setting a limitation period of 5 years for appeals from the start of the compensation payment or investment, since the current deadline for the Commission to open proceedings leading to a recovery decision (10 years from the day on which unlawful aid was granted to the recipient), which is also the *de facto* limitation period for State aid appeals, is too long. Local and regional authorities, as well as the companies receiving aid, need more legal certainty. A 10-year period, plus the time needed for the procedures, resulting in aid having to be recovered which was provided as much as 20 or 25 years before, is disproportionate and prevents a fundamental need of local and regional authorities and their undertakings, which are often unable to afford legal advice, from being met. It also thwarts one of the purposes of recovering State aid, i.e. restoring the pre-existing competition situation;
45. considers it necessary to provide that appeals may only be lodged by parties who may be directly financially affected. The range of interested parties to date, i.e. 'any Member State and any person, undertaking or association of undertakings whose interests might be affected by the granting of aid, in particular the beneficiary of the aid, competing undertakings and trade associations', under Article 20 in conjunction with Article 1(h) of the procedural regulation, is still too broad.

Brussels, 11 October 2016.

The President
of the European Committee of the Regions
Markku MARKKULA

Opinion of the European Committee of the Regions — Digitising European industry

(2017/C 088/06)

Rapporteur: Kieran McCarthy (IE/EA), Cork City Council**Reference document:** Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: Digitising European Industry Reaping the full benefits of a Digital Single Market

COM(2016) 180 final

POLICY RECOMMENDATIONS

THE EUROPEAN COMMITTEE OF THE REGIONS

Creating a society of change and innovation: the challenge ahead

1. welcomes the communication from the European Commission on *Digitising European Industry: Reaping the full benefits of a Digital Single Market* and the package of enabling measures it proposes towards unlocking the opportunities that arise from the Digital Single Market strategy. Europe's future economic growth and employment prospects, but also social cohesion, increasingly depends on the ability to understand, embrace and utilise all aspects of the innovation society within its regions;
2. underlines that the EU's Digital Single Market is underpinned by its 500 million consumers and is the single most powerful policy instrument for the EU and its Member States and regions to stimulate innovation, growth and jobs;
3. notes that the continuing industrial revolution, driven by new generations of digital technologies such as big data, and by new and different ways of applying digital technologies to sectoral and local problems, is taking place. The challenge ahead is for European industry to seize fully and swiftly these digital opportunities. The opportunities for companies in traditional and non-technological industries, particularly SMEs, to fully embrace digitisation as a means of enhancing and securing their competitiveness cannot be overstated;
4. recognises that the EU ICT sector represents an important share of the economy employing more than 6 million people and accounting for about 4 % of GDP. Recent studies estimate that the digitisation of products and services has the potential, if fully embraced, to add more than EUR 110 billion of revenue for industry per year in Europe in the next five years;

Converging all sectors

5. agrees that two particularly key success factors for reaping the full benefits of a Digital Single Market are (a) a highly competitive European digital industry; coupled with (b) the readiness of the private and public sectors to adapt accordingly by integrating the resultant digital innovations into their activities in order to ensure high-quality services for all citizens. Underlines that removing regulatory barriers, cutting red tape and modernising EU regulation is also a key factor;
6. highlights that businesses of all sizes across all regions and sectors can build on European ICT strengths by constructing digital industrial platforms in order to develop digital technologies from components to devices and software, for consumer markets and in web and data platforms and relevant applications and services;
7. underlines that the Digital Single Market strategy, especially the pillar on 'maximising the growth potential of the digital economy', contains all the major levers for improving industry digitisation with actions in areas such as the data economy, internet of things (IoT), cloud computing, skills and e-government. The convergence of a number of additional technologies is increasingly driving the digital change, notably robotics and artificial intelligence, and 3D printing;

8. encourages continued investments in three of the cross-cutting contractual public-private partnerships under Horizon 2020 — Factories of the future (FoF), Sustainable Process Industry through Resource and Energy Efficiency (SPIRE) and Bio-Based Industries Joint Undertaking (BBIJU);

Recognising disparity

9. recognises that most decision-makers in industry have difficulties in deciding when to invest, up to what level and in which technologies. Around 60 % of large industries and more than 90 % of SMEs feel that they are lagging behind in digital innovation;

10. emphasises that the rapid development and widening use of digital technologies also urgently requires modernisation of the current regulatory framework in order to keep pace with an unprecedented rate of innovation;

11. agrees that more should also be done to facilitate coordination of the large but fragmented European research, development and innovation efforts in other key digital technology fields;

12. insists that a broader understanding of interoperability as something not only relevant to public administration but to all sectors (e.g. as a means of ensuring consumer freedom is not compromised by the restrictions imposed by individual technology businesses' proprietary systems) is essential for the deployment of the IoT and the seamless flow of data across all regions. Availability of common formats, standards and specifications are clear requirements;

13. considers it essential that the European Commission's Better Regulation REFIT programme will focus on barriers to innovation and discuss how they can be removed or reduced through new regulatory approaches as set out in the Single Market Strategy. In this regard, stresses that local and regional authorities must be treated as key partners in the REFIT process and not as stakeholders, given that they enforce most of the decisions taken at the EU level;

14. calls on the Commission to work more closely with industries and businesses of all sizes, all levels of government and stakeholders in identifying and cutting regulatory barriers to digitising European industry as well as simplifying existing regulations;

15. argues that an effective ICT standardisation environment is crucial for digitising European industry and is key for the Digital Single Market in allowing devices and services to connect seamlessly across borders and between technologies. Efforts in this regard need to be strategically focused on five priority areas for standardisation efforts — 5G, cloud computing, IoT, data technologies and cybersecurity;

16. underlines that priority ICT standards for the Digital Single Market should aim at ensuring a fair return on investment to incentivise global R & D and innovation, and for a sustainable standardisation process, whilst ensuring wide availability of technologies in an open and competitive market;

17. notes that in many industrial domains, the traditional cycle of development, testing and standardisation is no longer adequate for the fast evolving and complex converged technologies;

18. points out that work in a digitised economy will also involve ever greater emphasis on new skills and capacities including more creativity, communication and adaptability requiring a massive upskilling of the workforce at all levels;

19. stresses that the further development of IoT and big data also pose significant trust and security challenges for any company and for public acceptance;

Recognising the need for synergies

20. urges that every feasible effort should be made to create strong focussed partnerships at regional, national and EU level in this field to bring about considerable private investments and achieve ground-breaking impact on competitiveness via the development of commercialised products and services. This will also allow for productive exchanges of experience, knowledge and ideas between these partners, with a view to making the most of synergies and avoiding the duplication of efforts, including through the creation of a network of partnerships;

21. encourages further investigation of the added value of enhanced cooperation between national and regional innovation policymakers taking into account the Smart Specialisation concept and emerging bottom-up interregional initiatives;

22. considers that investment from private and public sources including wider contribution from business and institutional players such as the European Investment Bank (EIB — including through the European Investment Plan/EFPI) — should be encouraged and the importance reaffirmed of synergies between Horizon 2020, the Startup Europe and FIWARE initiatives, the ESIFs, and regional and national policy instruments in relation to the broader EU objectives of competitiveness and cohesion;

23. acknowledges and welcomes the European Commission's plans to focus EUR 500 million investment from Horizon 2020 on the widespread roll-out of digital innovation hubs, although it must be ensured that the hubs are financed from resources under the second pillar of Horizon 2020 ('Industrial leadership') and are not taken from the budget for other parts of the Horizon 2020 programme; emphasises that local and regional authorities (LRAs) are well placed to contribute to this form of competence centre and technological one-stop-shop on behalf of industrial end-users; points out that scientific excellence is still an important criterion when selecting candidates for support and that the key role of universities in knowledge transfer and the innovation process must be adequately considered so that the impact of planned investment under Horizon 2020 can be further optimised. In this context the desired impact of activities relating to digital innovation hubs should be specified and if necessary reviewed;

24. reiterates its call that the necessary resources for digital investments should continue to be guaranteed as a core component of a forward-looking EU cohesion policy, preferably with a significantly higher investment than the EUR 14 billion share of ESIF spending on this topic between 2007 and 2013;

Financing ICT in our regions

25. points out that the openness of the internet and the impressive rise in supply of and demand for content and services now represents key driving forces for competitiveness, economic growth, social development and innovation in Europe. However, due to the handicap of lingering infrastructural deficits — particularly in rural contexts considered unprofitable by private operators — many LRAs remain currently unable to take full advantage of these developments;

26. asks the European Commission to support such LRAs in their financing activities, firstly by continuing to authorise priority deployment of the ESIF towards digital infrastructure in all European regions, and secondly by recognising technological barriers to digital development projects in rural and sparsely-populated areas, and regions facing other demographic challenges, which should be seen as services of general economic interest;

27. continues to share the worries of the European Parliament about the ramifications of the February 2013 decision of the European Council to reduce the budget for digital infrastructure and services under the Connecting Europe Facility, from EUR 9,2 billion to only EUR 1 billion, thereby causing the European Commission to fundamentally reorient it plans;

Fostering innovation and competitiveness through ICT infrastructure

28. stresses that LRAs are in a position to foster innovation and competitiveness through tailored demand-and-supply-side solutions including broadband roll-out, the digital economy, e-inclusion and e-government. Moreover, they provide education and training facilities, implement EU funding initiatives and facilitate beneficial cooperation and exchange with other public authorities including across borders;

29. welcomes the opportunities offered through the European Investment Bank, which has committed to increasing its loans for broadband infrastructure to EUR 2 billion per year and which has explicitly underlined the important role of the local and regional level in this type of growth-oriented investments. Also underlines the importance of encouraging community-led efforts, such as community enterprises;

30. urges that new investment tools should also be supported to accelerate the roll-out of infrastructure capable of achieving the broadband speed targets of the Digital Agenda for the Europe element of the Europe 2020 strategy, and to accelerate the full deployment of 4G (in advance of newer technologies, such as 5G), while maintaining technology neutrality, as well as allowing effective competition between operators;

Developing the potential of e-government and e-commerce

31. insists that LRAs can make it a priority to provide people with the digital and entrepreneurial skills that will enable them to make full use of new technologies, understand issues of cybersecurity and the need for personal data protection, increase their employability and create new business opportunities, including through the analysis of big data;

32. considers that e-commerce remains a missed opportunity for many smaller businesses, especially due to the prohibitive costs involved: 65 % of European internet users shop online, but this very significant demand is responded to by only 16 % of SMEs selling online — and less than half of those sell online across borders (7,5 %);

33. calls for prioritisation of the impediments to e-commerce arising from issues such as geo-blocking and the absence of a secure online credit card payment system. These issues present unnecessary costs, complications and risks of exposure to fraud for potential online retailers, particularly those who are engaged in cross-border selling;

34. emphasises the importance of the European Commission's e-Government Action Plan, on modernising public services through digitisation — specifically the accessibility of public institutions for private individuals and businesses via electronic means, irrespective of the physical location — and therefore underlines its support for the development of interoperable and multilingual cross-border public services (notably exchange of information) as a functional means of overcoming perceived peripherality;

35. points out that, when it comes to using the potential of e-government to provide societal benefits such as reducing the carbon footprint, simplifying procedures for businesses, fostering tourism or highlighting cultural heritage assets, it is often LRAs that are playing a large leadership role in identifying ICT opportunities and actors, sharing technological best practices, allocating funding to invest in ICT tools, measuring progress and communicating success;

36. points out that, as businesses improve their digital skills and make more use of digital media, their requirements for digital solutions in their contacts with public authorities will increase. Properly functioning digitised public administration means that businesses, organisations and individuals can be provided with efficient e-services and digital processes, which improves accessibility, facilitates procedures and reduces processing times for their dealings with the public sector. Greater digitisation provides greater opportunities for public stakeholders at central, regional and local level to free up resources, so that more time can be spent on client meetings and less on administration and verification;

37. underlines that the interoperability of e-government requires not only system compatibility but also the capacity of public administration to work in close cooperation with information systems, as well as public awareness of the possibilities that such systems offer. The CoR therefore suggests adding human capacity-building, both in terms of digital and language skills, and awareness-raising components to the ISA² programme for interoperability solutions to support the modernisation of public administration;

38. welcomes the proposed measures concerning the internal market for e-communications designed to promote dynamic and sustainable growth in all economic sectors and to create jobs, as well as to ensure that copyright rules are modernised in light of the digital revolution and changes in consumer behaviour;

39. acknowledges the potential that can be derived from the Knowledge Exchange Platform (KEP) cooperation between the European Committee of the Regions (CoR) and the European Commission's Directorate-General for Research and Innovation (DG RTD) as a means to promote new research and innovation (R&I) solutions, innovative products and best practice in response to societal challenges facing LRAs in Europe;

Providing education and skills matches

40. stresses that some of the priorities of the Digital Agenda for Europe — notably addressing digital literacy and skills shortfalls as well as missed opportunities in tackling societal challenges — are fundamentals for the quality of life and social and economic activity, which can be best dealt with at local and regional level to stimulate more efficient and personalised services for the public as well as local businesses;

41. acknowledges that with regard to ICT professionals, more than a million additional jobs have been created in Europe over the last three years. Despite this, it is expected that rapidly growing demand will lead to more than 800 000 unfilled vacancies in this sector by 2020;

42. urges the further development of the European Commission's *Grand Coalition for Digital Jobs* as a cross-European, multi-stakeholder initiative to reconcile the imbalance of these skills shortages and ICT-related job vacancies by means of offering appropriate training, apprenticeships, placements, actions to facilitate mobility and/or carrying out awareness-raising activities to encourage young people to study and pursue careers in the sector;

43. recalls that it is at the sub-national level that the most accurate and timely information on labour markets can be sourced and where LRAs can play a significant role in identifying skills mismatches by supporting the development of appropriate vocational programmes and incentivising investment in response to local demand;

44. calls for education providers to develop focused and more flexible training approaches in ICT. Future jobs will require an appropriate mix of basic, soft and technical skills, notably the digital and business-specific skills, that education and training systems are not yet fully addressing. Thus, the foundations need to be laid for an education and training system in which pupils/students focus on practice rather than theory;

45. acknowledges the creation and importance of the European Commission's *New Skills Agenda for Europe* and how it will provide a comprehensive framework for employability, including the need for digital and complementary key enabling skills;

46. emphasises the enormous importance of providing digital literacy and skills necessary for citizens, workers, students and jobseekers to be part of the comprehensive implementation of digitalisation in the economy and society;

47. reaffirming European cooperation in the youth field (2010-2018), stresses the importance of developing a basic package that each Member State would guarantee to young pupils by providing access to broadband within the education system, thus providing young people with a minimum guarantee regarding digital qualifications and skills. This should be applied not only during compulsory education but also in the course of lifelong learning, through innovative programmes and further training that keeps pace with the development of technology;

48. cautions that aside from the economic and employment perspective, the increasing influence of digital technologies, particularly amongst young people, must not be allowed to undermine fundamental human skills such as literacy and person-to-person interaction;

49. concludes that further acknowledgement in relation to the sustainable roll-out of the Digital Agenda needs to be given to the EU's regions. LRAs are amongst the main target audience of the agenda's recommendations and must be seen as key drivers and partners for its implementation.

Brussels, 11 October 2016.

*The President
of the European Committee of the Regions*

Markku MARKKULA

**Opinion of the European Committee of the Regions — European Cloud Initiative and ICT
Standardisation Priorities for the Digital Single Market**

(2017/C 088/07)

Rapporteur:	Anne Karjalainen (FI/PES), City councillor of Kerava
Reference document:	Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions — ICT Standardisation Priorities for the Digital Single Market
	COM(2016) 176 final
	Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions — European Cloud Initiative — Building a competitive data and knowledge economy in Europe
	COM(2016) 178 final

POLICY RECOMMENDATIONS

THE EUROPEAN COMMITTEE OF THE REGIONS

Preliminary remarks

1. considers the Commission initiatives on the European Cloud and on ICT standardisation priorities to be important, in particular with a view to Europe's position in the global digital economy and achieving the objectives of the Digital Single Market Strategy;
2. notes that reducing obstacles to knowledge-sharing will substantially boost the competitiveness of European businesses while also benefiting local and regional authorities;
3. judges the Commission's phased approach to rolling out European cloud services to be sensible and is pleased to note that the framework will enable first the scientific community, and then both businesses and local and regional authorities, to use shared knowledge as well as producing it;
4. shares the Commission's view that competitive High Performance Computing can only be developed through joint measures;
5. agrees with the Commission that European ICT standardisation efforts must be stepped up in order to harness the potential of digitalisation and to deliver cross-border services;
6. notes that notwithstanding ICT standardisation, companies and the public sector must also be given scope to develop, acquire and apply innovative solutions that deviate from those standards;
7. observes that the development and/or application of common standards is still seriously wanting in the case of many areas crucial to the digital single market, for example electronic identification, and is still very concerned that geographical differences in high-speed broadband accessibility are hindering completion of the digital single market ⁽¹⁾. Island status is a negative geographical factor due to the need for higher-cost undersea cables;
8. reiterates in this context its call for projects for the development of broadband to be recognised as services of general economic interest ⁽²⁾;
9. affirms that European local and regional authorities are keen to develop knowledge-sharing, and also to notify the ICT standards that are required to meet their needs in respect of public service development ⁽³⁾;

⁽¹⁾ See CdR 104/2010, CdR 65/2011, CdR 3597/2013, CdR 2646/2015 and CdR 4165/2014.

⁽²⁾ CdR 2646/2015.

⁽³⁾ CdR 626/2012.

10. urges the Commission to ensure that relevant national players in all the Member States embark on adequate measures to promote open science cloud services as well as knowledge-sharing more generally, as otherwise there is a substantial risk that differences between the Member States will increase rapidly, a situation that would very soon become apparent in the activity of local and regional authorities;

11. agrees with the Commission that every organisation — big or small, public or private — is expected to appropriately manage cybersecurity risks and, where necessary, be in a position to show that it does so successfully, and urges that measures be devised to help develop cybersecurity know-how at every level necessary ⁽⁴⁾;

12. underlines overall that, in order to reap the multiple benefits of the Digital Single Market, a skilled labour force is needed to implement it; welcomes therefore the Commission's proposals, within the framework of its recently adopted New Skills Agenda for Europe, to put the emphasis on investment in digital education and training in order to ensure that citizens are equipped with the necessary skills for the digital transition;

Interoperability

13. notes that the common denominator of the two communications to which this opinion refers is the lack of interoperability in many different sectors, which results in researchers, industry, public authorities and policy-makers being unable to access the data they need;

14. points out that the greatest obstacle to interoperability, in relation to such data sharing as cross-border digital services for example, is usually the lack of a standardised data architecture ⁽⁵⁾;

15. recommends that, in addition to the minimum standards and simple meta-data mentioned in the communication, the possibility also be considered of defining the European master data required in cross-border services;

Standardisation

16. shares the Commission's view that the current context requires partnerships between different sectors in standardisation, and would give the example of e-health, where increasing people's responsibility for their own health calls for a broader perspective ⁽⁶⁾;

17. notes that the e-health, intelligent transport systems, smart energy and more environment-friendly manufacturing technology, which the Commission cites in its communication as examples of important target areas, are quite central to the activities of local and regional authorities, which will have to be actively involved if the objectives are to be achieved;

18. agrees with the Commission that priorities should be subject to regular review, because standardisation needs can actually change very quickly, owing to the constant advent of new innovations in welfare services for instance;

19. believes it is important in European standardisation for broad use to be made of the innovations that are part of company patents, and supports the Commission's efforts to clarify core elements of an equitable, effective and enforceable licensing methodology around FRAND principles;

20. notes that much open-source licensed software is already being used in European local and regional government. This is regarded as a positive development, which the Commission should further in particular by clarifying the relationship between open source and FRAND licensing terms;

21. points out that alongside the development of EU and international official standardisation, measures are needed to underpin the ICT technical specifications developed by other standard developing organisations and widely accepted good practices which are more often used;

⁽⁴⁾ CdR 1646/2013.

⁽⁵⁾ CdR 5514/2014.

⁽⁶⁾ CdR 5514/2014.

22. considers it essential to develop procedures to ensure that the needs of the end-users of standards — both businesses and the public sector — are known when standardisation plans are drawn up;

23. very much welcomes the Commission's proposal to support broader participation of European experts in international ICT standardisation, since common global procedures are vitally important both for achieving European digitalisation objectives and for the development of the sector;

24. observes that it is already several years since the publication of the European Interoperability Framework for European Public Services, and welcomes the Commission's plan to update it, hoping that the potential of the internet of things will also be considered in this process ⁽⁷⁾;

European cloud services

25. notes that cloud services are expanding rapidly in Europe. According to a Commission study, this could mean Europe's cloud services market growing from EUR 9,5 billion in 2013 to EUR 44,8 billion by 2020, representing a fivefold increase ⁽⁸⁾. According to Eurostat data from the end of 2014 ⁽⁹⁾:

(a) 19 % of EU businesses were using cloud services in 2014, mainly to host email systems and for electronic file storage;

(b) 46 % of those businesses were using advanced cloud services relating to financial and accounting software applications, customer relations management and use of computing power to run business applications;

(c) four out of ten (39 %) of the businesses using cloud services reported the risk of data security breaches as the main factor limiting their use of cloud services;

(d) a similar proportion of businesses (42 %) not using cloud services said that the main factor preventing them from using cloud services was lack of knowledge of cloud computing;

26. underlines, in view of the above, the need for a clear political commitment to fund cloud research infrastructure in order to harness the huge potential of cloud computing;

27. notes that cloud services are based on trust and that to win and keep trust considerable attention must be paid to data security and privacy;

28. hopes that account will be taken of the potential for open science cloud services to be used in education;

29. draws attention to the role of public-private partnerships in developing open science cloud services and reiterates its previously stated opinion that existing clouds or clouds under development at national, regional and possibly local level should be made interconnectable and interoperable with European solutions ⁽¹⁰⁾;

30. notes that broad use of the data and other material provided through cloud services is conditional on resolving issues relating to copyright ⁽¹¹⁾;

Data sharing

31. urges the Commission to support increased sharing of European data in the framework of current legislation on protection of personal data and privacy; in this respect, calls on the Commission to provide a general overview of where relevant data can be consulted on a decentralised basis, so that the data is accessible;

⁽⁷⁾ See CdR 10/2009, CdR 5514/2014, Annex 2 of COM(2010) 744 final, and COM(2016) 179 final.

⁽⁸⁾ <https://ec.europa.eu/digital-single-market/en/news/final-report-study-smart-20130043-uptake-cloud-europe>

⁽⁹⁾ Cloud computing — statistics on the use by enterprises (Eurostat, November 2014): http://ec.europa.eu/eurostat/statistics-explained/index.php/Cloud_computing_-_statistics_on_the_use_by_enterprises

⁽¹⁰⁾ CdR 1673/2012.

⁽¹¹⁾ CdR 2646/2015.

32. welcomes the Commission's intention to put forward an EU 'Free flow of data' initiative to promote the free flow of data in the Union⁽¹²⁾;

33. emphasises that sharing of standardised data will reduce the current fragmentation between researchers, businesses and public authorities, as well as within these groups, and that it will thus further many of the objectives relating to the digital single market;

34. shares the Commission's understanding of the biases currently hindering data sharing and urges it to be more active in communicating the benefits of data sharing for the party doing the sharing⁽¹³⁾;

35. notes that sharing data also has important benefits for local and regional authorities. The owner of the data loses nothing from sharing it: on the contrary, sharing increases the value of the data. Opening up government data enhances democracy and provides new business opportunities. Data sharing also reduces the need for ad hoc and often costly data requests;

36. points out that if citizens have broader access to their personal health data online this will mean they take more responsibility for their own health, and hopes that opportunities will increase for people to also use their data in other areas of public administration;

37. notes that to benefit from the European Open Science Cloud, public authorities and SMEs in particular need not just the actual data but also tools for analysing it, especially in the case of Big Data;

38. supports the Commission's endeavour to bring the European data community together, for instance in the Big Data public-private partnership under the Horizon 2020 programme, and encourages local and regional authorities to get involved in this cooperation if they can;

39. believes that the European Open Science Cloud, which incorporates public authority, business and research data, could using Big Data processing methods facilitate for instance the handling of municipal policy matters, which are often multidimensional and complex;

Internet of things

40. points out that the European cloud also plays a key role in environmental protection by storing documents, information and data in digital form. In addition to the fact that it is much easier to store and access files, not printing them reduces paper use and so helps protect the environment;

41. is pleased to note that the internet of things (IoT) is one of the Commission's standardisation priorities, since in future this will have a substantial positive impact on the quality of services and productivity of activities for which local and regional authorities are responsible. According to a European Commission study⁽¹⁴⁾, the market value of the IoT in the EU is expected to exceed one trillion euros by the year 2020;

42. hopes that the Commission will take broader account of the great potential of IoT in its various programmes relating to digitisation of public administration;

43. believes that laying down standards for the internet of things in the context of public procurement serves the needs of regions and municipalities and may give European industry a substantial edge in this sector;

44. points out, however, that IoT is a nascent sector and that not just standards are needed, but also innovative experimentation, whose financing should be a priority for the Union;

⁽¹²⁾ COM(2015) 192.

⁽¹³⁾ CdR 4165/2014.

⁽¹⁴⁾ <https://ec.europa.eu/digital-single-market/en/news/definition-research-and-innovation-policy-leveraging-cloud-computing-and-iot-combination>

45. notes that various analyses have shown that a considerable number of local and regional authorities are underinformed about the benefits of IoT, especially in healthcare, energy efficiency, environmental matters, security, and real estate management, not to mention smart transport, and hopes that the Commission will take measures to ensure that knowledge is shared in this area and that there is a greater focus on documentation and the effects and benefits of IoT, smart city initiatives and open data;

46. emphasises that all five of the priority domains identified by the Commission for standardisation are interconnected, but that there is a particularly close interdependence between IoT and future 5G networks. Unless full geographical coverage is achieved for 5G networks, it will be impossible for the internet of things to be used in the same way in all European regions.

Brussels, 11 October 2016.

*The President
of the European Committee of the Regions*

Markku MARKKULA

Opinion of the European Committee of the Regions — Action Plan on VAT — Towards a single EU VAT area

(2017/C 088/08)

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

Reference document: Communication from the Commission to the European Parliament, the Council and the European Economic and Social Committee on an action plan on VAT — Towards a single EU VAT area — Time to decide

COM(2016) 148 final

POLICY RECOMMENDATIONS

THE EUROPEAN COMMITTEE OF THE REGIONS

Introduction

1. welcomes the action plan which is a Commission initiative setting out the path to be followed for proposing to establish a single value added tax (VAT) area in the EU by 2017;
2. recognises that the VAT system is an essential part of the single market and should be reformed to make it simpler, fairer, more effective and less exposed to fraud in order to improve competition conditions between enterprises, reduce discrimination among consumers and optimise revenue collection;
3. notes the importance that the single VAT area in the Union has for local and regional authorities, due to the fact that, in some Member States, they are responsible for levying VAT and that the redistribution of VAT revenue is central to the implementation of financial equalisation schemes for the benefit of local and regional authorities; however, Member States' systems of national redistribution of VAT revenues falls outside the EU's sphere of responsibility;
4. points out that VAT is also a major source of income for the EU's own resources as it accounted for EUR 17,6 billion in 2014, or 12,3 % of the EU's total revenue;
5. also supports the Commission's aim of combating fraud. The huge levels of fraud reflect the shortcomings in the current systems and lead to significant losses of revenue for Member States every year; the estimated loss for the EU is EUR 170 billion per annum. This has a negative impact on public sector budgets, including those of local and regional authorities in some Member States, and their ability to provide quality services; in this respect urges Member States to collect and circulate statistics on cross-border VAT fraud;
6. points out that the fragmentation and complexity of the VAT system result in major compliance costs for businesses involved in cross-border trade. These costs are disproportionately high for small and medium-sized enterprises, which form the backbone of the economy and the basis for employment at regional level. Notes that the Action Plan on VAT equally needs to lead to a simplification for legitimate businesses undertaking in cross-border trade. The VAT system must not impose undue barriers on cross-border trade;
7. draws attention to the fact that differences in the VAT rules and the rates set have a particular impact on border regions and the activities of small and medium-sized enterprises (SMEs) in these regions. It is therefore necessary to assess the territorial impact of the proposals which offer greater flexibility in setting VAT rates;
8. notes that the VAT directive includes provisions on VAT rates aimed at protecting the single market and preventing distortions in competition; considers that these are essential principles and that all proposals for allowing Member States greater leeway in setting rates should be carefully scrutinised in order to ascertain what effect they might have on the internal market and competition;

9. supports the reform of the VAT system which can provide the basis for future growth, competitiveness and employment, by allowing the digital and mobile economy, new economic models and service enterprises to thrive. In this respect, welcomes the Commission's proposal to extend the VAT one-stop-shop for electronic services to the provision of goods, on the basis of a pilot scheme aimed at improving cooperation between tax administrations and enterprises involved in trading in the electronics sector;

10. considers that Member States' effectiveness in the field of tax administration is very variable. There is not enough cooperation and trust between tax administrations; believes that banks should fully cooperate with tax authorities in cases of suspected VAT fraud, within the limits of the applicable data protection legislation;

11. recommends looking at Member States' best practices for allocating part of the VAT revenue to local and regional authorities or alternatively granting them the power to levy it;

12. calls for representatives of local and regional authorities at national level and of the CoR at European level to be included in consultations on any changes to the VAT system, bearing in mind the direct impact of these decisions on the welfare of the population, on the competitiveness of enterprises and on the revenue of the public authorities;

Single EU VAT area

13. when examining the principle whereby VAT payments for cross-border transactions are subject to the same requirements as those for national transactions, calls for particular consideration to be given to the impact on SMEs when different VAT rates are maintained at the same time;

14. shares the view that the new system should be based on the principle of destination and should make provision for VAT on sales to a customer established in another EU Member State to be levied in accordance with the legislation of the supplier country, and at the rate applied in the country of destination, and that the VAT revenue of the levying state be transferred to the competent authority in the state of consumption;

15. welcomes the intention of ensuring that enterprises carrying out commercial transactions within the single market will be able to settle any VAT-related issues with the competent authority in their country of origin and that they will not be required to register for VAT, to submit returns and pay charges in all the EU Member States in which they conduct business transactions. These simplifications must not result in any compromise to VAT revenues and influence fiscal sovereignty of Member States;

16. considers that the Commission's action plan is ambitious and will need time to be implemented; therefore supports the principle of a gradual phasing-in;

17. urges the Commission and the Member States to adopt measures to improve tax efficiency and combat fraud in order to reduce the amount of VAT that is uncollected by the Member States. Such measures could help significantly with efforts to build confidence in the tax administrations and establish effective cooperation, which is needed for the new system to function properly. The Committee stresses the fact that the introduction of new reporting and audit tools must not impose an undue burden on businesses, particularly SMEs;

18. calls on Member States to adopt practical decisions on the regulations governing VAT in the European Union, especially to abolish the differences observed to date between Member States regarding the derogations from the VAT directive granted to individual countries, and to encourage all Member States to implement these derogations;

19. notes that when making proposals for improving the efficiency of tax administration, the Commission must respect national and/or regional administrative powers;

20. encourages more effective use of IT tools by using all the electronic information available for combating fraud, whilst ensuring that data is protected;

21. in the light of the reverse and split VAT payment systems ⁽¹⁾ set up in several countries, stresses the need for boosting people's confidence in the fact that the VAT paid actually goes into the national, regional or local budgets, since individuals are among the primary real sources of VAT payments; recommends looking at the possibility of bringing in a voluntary electronic payment system for transferring the VAT on people's purchases to the budget of the competent authority and the amount of the purchase minus VAT to the vendor's account, as is the case at present;

VAT rates

22. stresses the fact that there is insufficient proof of distortions of competition in the non-levying of VAT on certain types of public sector bodies' activities, inter-municipal cooperation or on activities deemed to be in the public interest. The decision not to consider public bodies as taxable for VAT purposes met objective and harmonised criteria at European level and was not at the discretion of Member States;

23. calls for the interests of local and regional authorities to be taken into account in the Commission's impact assessment, which is due to be published in 2017; in this connection, the concepts of '(significant) distortions of competition' need to be clarified, in consultation with local and regional authorities;

24. considers it urgent that all Member States should be able to apply all derogations established in the past by any Member State;

25. calls for the VAT rate on school buildings to be reduced to 6 %;

26. emphasises that the current list of reduced VAT rates is particularly opaque and does not have a well-defined rationale. Is therefore disappointed that the Commission has not made an exhaustive and transparent inventory of the reduced VAT rates that have been granted; considers it necessary to review the list of reduced VAT rates, taking into account technical, economic and other developments, and the distortions created by different VAT rates for similar goods and services; this review should, to the extent possible, lead towards a harmonisation in order to avoid distortion of competition within the single market for SMEs;

27. considers, moreover, that those bodies that carry out activities in the public interest could have a greater economic incentive to deduct VAT *ex post* rather than being non-taxable *ex ante*;

28. believes that option 1 (extension and regular review of the list of goods and services eligible for reduced rates) is liable to entail less serious risks than option 2 (abolition of the list of goods and services eligible for reduced rates);

29. feels that giving Member States more leeway in setting rates will inevitably lead to greater differences in rates which might distort the single market and impose burdens on businesses, particularly SMEs; points out that the Commission should make a thorough assessment in order to look at the impact its proposals might have on competition and the administrative burdens for businesses, together with their impact on the regions, and particularly on border regions;

30. notes that the Communication also refers to other costs and shortcomings connected with the transfer of responsibilities for reducing rates to the Member States, particularly the risk associated with falling revenues and the complexity of VAT, as well as the increased costs and legal uncertainty for businesses; considers that this risk should be fully assessed;

31. in line with its opinion on food waste (June 2016), supports the proposal to make the VAT on donated unsold food tax-deductible for large retailers;

⁽¹⁾ For example, the European Commission approved Italy's request for setting up a split VAT payment system for public administrations that are subject to VAT. When public administrations settle an invoice for goods or services, part of the VAT is paid directly to the Treasury. This system is in force from 1 January 2015 to 31 December 2017, when it is planned to replace it entirely by an electronic invoicing system within the public administration. According to some estimates, Italy has lost EUR 900 million a year in VAT payments from public administrations.

E-commerce

32. points out that complicated VAT rules that differ in each Member State are one of the main barriers to e-commerce; recognises that the VAT system must be simplified and compliance costs for SMEs be reduced, mainly by addressing the aspects that are less favourable to businesses based in the European Union than to suppliers from third countries;

33. is in favour of an extension of the one-stop-shop mechanism covering trade in goods and the introduction or increase of VAT thresholds for start-ups and micro-enterprises;

34. supports the proposal to remove the VAT exemption for imports of small consignments from third countries and to allow for checks via a single audit of cross-border businesses, as European SMEs are currently at a competitive disadvantage compared to third-country SMEs;

VAT package for SMEs

35. points out that the economic development of local and regional authorities is based on SMEs and that the costs the latter incur to ensure compliance with the VAT rules are proportionately higher than for large businesses: SMEs are consequently obliged to operate at a disadvantage in terms of competition;

36. draws attention to the fact that measures apparently based on improving the business environment have been adopted in several states to simplify registration for new companies, whereas they often encourage the creation of enterprises that make it possible to set up the so-called 'carousel' fraud systems;

37. notes that the relevant national institutions (including tax administrations) should take the responsibility to monitor activities of enterprises, which are operating legally; this responsibility should not be delegated to counterparties, other enterprises, as the Court of Justice of the EU has stated repeatedly in the judgments regarding the VAT;

38. advocates that the Commission provide for the appropriate simplification measures in the package for SMEs that it will put forward in 2017.

Brussels, 12 October 2016.

*The President
of the European Committee of the Regions*

Markku MARKKULA

Opinion of the European Committee of the Regions — Delivering the global climate agreement — a territorial approach to COP22 in Marrakesh

(2017/C 088/09)

Rapporteur: Francesco Pigliaru (IT/PES) President of the Region of Sardinia

Reference document: Own-initiative opinion

POLICY RECOMMENDATIONS

1. The Paris Agreement is a considerable achievement in that it is universal, binding and balanced. It sets out a global action plan to keep the increase in temperature this century to well below 2 degrees and to drive efforts to limit the increase even further to 1,5 degrees compared to 1990 levels. It is particularly important because the outlined path to decarbonisation provides reliable guidance for decision makers at all levels, avoid costly lock-in to high carbon investments, and provides certainty and clear direction to businesses and investors. The 22nd Conference of the Parties of the United Nations Framework Convention on Climate Change (UNFCCC COP22) will be tasked with maintaining the positive momentum from Paris and operationalising the agreement's various mechanisms.

2. However, even if fully implemented, the Parties' current pledges will not be sufficient to reach the agreed goals. Enhanced action will have to come from regions and cities, which are closely connected with local communities and territories, while the Parties must table updated contributions as soon as possible — as early as in the context of the facilitative dialogue in 2018. With regard to the EU in particular, the European Committee of the Regions maintains its past position regarding the need for a 50 % reduction in greenhouse gas emissions by 2030 with the aim that global GHG emissions should reach their peak as soon as possible and should be phased out by 2050 or shortly after.

3. The EU with its highly developed multi-level governance system has a particular responsibility to show united and ambitious leadership in addressing climate change; the CoR therefore welcomes the timely ratification of the Paris agreement by the European Union and calls on the Member States which have not done so yet to ratify it as soon as possible. The CoR also calls the European Commission and the Member States to update and specify the 2030 Framework and 2050 Roadmap in order to comply with the Agreement's obligation to formulate mid-century, long-term low greenhouse gas emission development strategies; this process should start as soon as possible, to allow a comprehensive debate, in which the representatives from national, regional and local authorities as well as civil society and the business sector should be closely involved.

A multi-level governance

4. The Paris Agreement recognised the importance of multi-level governance in climate policy. This principle should now be put into practice across all levels of government in order to develop connections and to close existing gaps between national, regional and local climate change policies, together with an enhanced transparency framework and the development of the necessary instruments for global stocktaking, a better understanding of differentiated impact of climate change, loss and damage and the appropriate climate finance and capacity support.

5. The CoR therefore calls for the further development of the Lima-Paris Action Agenda (LPAA) and its corresponding platform, the Non-State Actors Zone for Climate Action (NAZCA). These could be fully integrated into the UNFCCC Secretariat through the Global Climate Action Agenda launched by the newly appointed Climate Champions⁽¹⁾. This should in turn become the basis for fully-fledged multi-level governance on climate action, as also noted in the European Parliament's resolution.

⁽¹⁾ <http://newsroom.unfccc.int/climate-action/global-climate-action-agenda/>

6. As the biggest contributors to the LPAA and NAZCA, regions and cities have already shown the extent of their commitment to combatting climate change and their potential for increased action. Voluntary initiatives, such as the EU Covenant of Mayors and the Under 2 Degrees Memorandum of Understanding, are of particular added-value as they feed into the LPAA and NAZCA with quantified data and demonstrate greater ambition than national legislators. The contribution of these initiatives to stirring up action at all levels should be acknowledged and encouraged by subnational and national governments as well as intergovernmental organisations. Their efforts should be accounted for and included within the respective Nationally Determined Contributions, as it is already the case for Mexico for example. Other monitoring and reporting initiatives and mechanisms to measure emissions reduction and evaluate mitigation and adaptation policies should also be fostered.

Better integration of regions and cities within the UNFCCC

7. Better integration of regions and cities within the UNFCCC process is also necessary and would allow for feedback from the ground to be channelled back to the UN level in a timely manner. Countries would have access to the best information, enabling them to make cost-effective decisions that can be implemented by regions and cities on the ground. It is therefore necessary to establish a permanent and direct dialogue between the different levels, starting from the local and regional level.

8. Measures to enhance this dialogue include:

- regular exchanges between regions' and cities' representatives and the COP presidencies, Climate Champions as well as the UNFCCC Secretariat,
- trilateral dialogues involving cities, regions and Parties in the framework of the UNFCCC structures and in particular during COPs,
- daily debriefings of the European Commission and the Council for the CoR during COPs,
- regular exchanges with the European Parliament (EP), notably the EP delegation at the COPs,
- Parties' (countries) participation in the Friends of the Cities informal group meetings.

At EU level

9. Following the COP21, the European Commission and the Council have been liaising increasingly with the CoR to better integrate a local approach to EU legislation — notably through the EU Urban Agenda. Moreover, the roadmap for the implementation of the Paris Agreement in the EU fully endorses the multi-level governance principle.

10. The European Commission has also set in motion the extension and reinforcement of the EU Covenant of Mayors. It now includes an adaptation component in addition to being developed in different parts of the world.

11. From the CoR perspective, it is of utmost importance to build on this recognition and to ensure a balanced approach that recognises the distinct contributions of both regions and cities in this context.

12. The CoR would like to emphasise that the principle of multi-level governance is inclusive and cost-effective because it allows all levels of government to coordinate their efforts, and in doing so, to maximise their potential for action.

13. Regions have a key role in providing the context for urban policies within a larger territory and linking them with other policies such as forestry, green and blue infrastructures, territorial cohesion and agriculture. This function of regions is especially important in the EU as the territory is made up of small and medium-sized cities, which often have limited resources and capacity for action. Regions help to avoid costly duplication of efforts and to ensure broad cohesion between urban and non-urban areas.

14. The EU Covenant of Mayors, for example, includes many regions as regional coordinators. These can empower several cities simultaneously to become part of the Covenant.

15. The CoR therefore notes the pivotal role of regions in Member States in driving this kind of vertical coordination between all levels of government.

16. In Italy, for example, regions have established an interregional board on climate adaptation. The board brings together the national government and all regions. It ensures that the Italian strategy on adaptation, which was developed on the basis of the European Strategy on adaptation to climate change, will be implemented at regional level.

Regions in turn are also responsible for helping cities and towns within their territories to build local adaptation plans accordingly.

17. Based on this example, the CoR calls on the EU regions to show leadership in applying EU and national climate strategies, and in driving change at local level. It also calls on the European Commission and Member States to incorporate this role into their definition of inclusive governance on climate and energy, as well as within their strategy for implementing the Paris Agreement. This would include the need to take due account of the role of 'regional coordinators' in the context of the Covenant of Mayors when designing new support tools for signatories.

Horizontal coordination

18. In addition to vertical coordination, the CoR deems it necessary to deepen horizontal coordination between different policies. Mainstreaming climate in all policies will allow local populations to benefit from many co-benefits such as higher quality of life and local jobs. It will also allow to create synergies and decrease costs of action. For example, it is estimated that the EU circular economy package could help lowering greenhouse gas emissions by 2 to 4 % annually ⁽²⁾ if properly implemented. The CoR therefore calls on the COP22 to address the key role of the reduction of raw materials' exploitation and sustainable waste management in the context of combatting climate change.

19. The CoR therefore calls on regions and cities to champion cross-administrative cooperation. One may note the successful model of the cross-administrative committee on sustainable development of Espoo, Finland. Not least thanks to this integrated approach, Espoo has recently been ranked the most sustainable city in the EU according to a study ordered by the Dutch presidency of the EU.

20. Beyond horizontal cooperation at local and regional levels, silo-thinking should also be avoided when designing EU support measures available for regions and cities. To this end, the CoR is looking forward to the one-stop shop announced by the European Commission in its communication 'The Road from Paris' and also underlines the importance of this service in addressing the needs of regions.

The contribution of the Committee of the Regions

21. In preparation for the COP22 and beyond, the CoR commits to supporting the European Commission and the Council in their efforts to make the implementation of the agreement a success in close cooperation with the European Parliament.

22. The CoR should aim to be carbon neutral as an institution and will liaise with the other EU institutions, notably the European Parliament in this endeavour.

23. Within the EU, the CoR is committed to informing regions and cities about their key role in enhanced climate action and about all facilitating mechanisms for supporting bottom-up action.

24. The CoR, as a strong supporter of the EU Covenant of Mayors, is encouraging participation in the initiative among its members and has also created a CoR group of Covenant ambassadors to promote the initiative within their respective countries.

⁽²⁾ 'Circular Economy Package 2.0: Some ideas to complete the circle' March 2015, European Environmental Bureau http://www.eeb.org/index.cfm?LinkServID_2E1B48-5056-B741-DB594FD34CE970E9

25. The CoR is therefore committed to leading by example. It is part of the Eco-Management and Audit Scheme (EMAS) and pledges to continue its efforts collectively with the administration and its members to lower its carbon emissions and decrease its consumption of fossil fuels. To this end, the CoR will explore how to offset the unavoidable greenhouse gas emissions caused by the travel of its members and staff. This implies calculating the CoR carbon footprint, including all missions and external meetings in this calculation. Offsetting greenhouse gas emissions should finance sustainable projects within the EU. New technologies such as video-conferencing should be more widely used, including in CoR Commission meetings.

26. With a view to becoming paperless, the CoR should follow the example of the European Parliament which does not print files for Plenary and Commission meetings anymore, unless members specifically request to have them or other imperative reasons require printed-out documents.

27. Beyond the EU's borders, the CoR is committed to working in coordination with DG CLIMA, the European External Action Service and Member States in the framework of the Green Diplomacy Network to support the implementation of the existing pledges from Non-EU Parties and to encourage them to make new pledges resembling those made by the European Union.

28. In particular, the CoR will use its structures such as the Euro-Mediterranean Regional and Local Assembly, the Conference of the Regional and Local Authorities for the Eastern Partnership, Task Force Ukraine and the Joint Consultative Committees and Working Groups with candidate and pre-candidate countries to keep climate policy high on the political agenda and support its implementation by local and regional authorities across the world.

29. The CoR will actively engage within the MEDCOP22 organised in Tangiers to further empower cities and regions of the area to act on climate and energy. It will notably support the focus on financing and capacity-building for local and regional authorities in the Euro-Mediterranean area, and will bring these issues to the attention of the EU delegation to the COP22.

30. Specifically, the CoR will help to promote the Covenant of Mayors at global level, starting with the Euro-Mediterranean Covenant of Mayors and possibly with the Eastern Covenant of Mayors in 2016.

31. The CoR will also continue its engagement at UNFCCC level to support the EU delegation's ambitious position for climate and especially the EU multi-level governance model among its partners from the Local Governments and Municipal Authorities Major Group.

Empowering our communities

32. Given the scale of action required on climate, we all need to change the ways we produce and consume. As a result, in order to build public acceptance for these profound changes, regions and cities will have a key responsibility for engaging with citizens and empowering them to play an active role in this transition.

33. Both regions and cities have a crucial role to play in facilitating the dissemination of information about behaviour change and measures to support individual action on climate.

34. Regions and cities also have to identify and remove bottlenecks, which prevent citizens from fully participating in the transition to low-carbon and resilient societies by coordinating with higher levels of government (national, EU and global).

35. Regions' and cities' long-term partnerships with businesses, universities, local communities, civil society, non-governmental organisations (NGOs) and schools are vital for fostering action on climate.

36. The CoR therefore calls on regions and cities to fully play their role in championing multi-actor projects at subnational level in order to create a culture for sustainable development that will galvanise efforts at national and European levels, emphasising that there are strong differences in terms of needs and vulnerability linked to climate change among different parts of the EU and between regions and cities.

A focus on research

37. The role of research in formulating appropriate policy responses to the challenge of climate change is crucial. Close links with the academic world will contribute to good policy-making with decisions based on sound expert advice.

The CoR therefore calls on regions and cities to build close links with universities and research centres within and beyond their territories and to support inter-regional cooperation in these fields.

38. Co-production of knowledge from an early stage and cross review between policy-makers and academics will foster cooperation in identifying problems and joint problem-solving throughout the entire research process and policy-making cycle.

39. The CoR notes with satisfaction that the recent decision by the Intergovernmental Panel on Climate Change to draft a special report on cities and climate in 2023 will drive increased research as of now on the importance of cities in combatting climate change. It calls on the European Commission to take an active part in drawing up this report and to involve the CoR in this process, as well as to champion a multi-level territorial vision of climate action. In particular, the CoR calls on the European Commission to promote research in these areas in order to feed constructively into the special report which will be used in future UNFCCC discussions, notably the global stocktake, which will assess the state of the implementation of the Paris Agreement by 2023.

40. The CoR promotes the inclusion of research representatives in the planning and implementation of adaptation and mitigation policies.

Resilient societies

41. Importantly, the Paris Agreement recognises the important positive impact of adaptation on mitigation measures.

42. The CoR will draft a separate opinion focusing on the review of the EU strategy on adaptation to climate change planned for 2017. In this context, the CoR calls for a strong commitment to integrating mitigation and adaptation measures, as well as to mainstreaming adaptation within all relevant policies.

43. The CoR points out that due to the potential adverse effect of climate change on people and assets, regions and cities should be empowered to increase their resilience as soon as possible. However, the CoR insists that adaptation to climate change calls for vertical and horizontal cooperation, and that regions and cities also need to be connected in order to adapt to climate change.

44. The CoR welcomes the release of the European Commission's Action Plan on the Sendai Framework for Disaster Risk Reduction 2015-2030, as well as mainstreaming of disaster resilience in the COP21 Agreement. Links between building resilient infrastructure and climate change adaptation should be further strengthened to promote cross-sector coordination between civil protection services and climate adaptation actions at all levels.

45. The CoR calls for better awareness and support mechanisms for developing regionally oriented national adaptation strategies. Their development into coherent regional action plans and down to the local level should be closely monitored with clear milestones set at EU level to be reached at regular intervals.

Financing EU regions' and cities' action on climate change

46. The question of financing and access to financing, particularly for regions and cities, is fundamental for the implementation of the Paris Agreement.

47. Although there are different funding opportunities within the EU, regions and cities encounter various hurdles, which prevent them from accessing the support measures available at EU level, both from the EU funds and through the European Investment Bank (EIB).

Following numerous debates in the CoR and with different stakeholders, the CoR calls on the European Commission, the EIB and Member States to focus on developing the appropriate administrative capacity of regions and cities, in order to take full advantage of the public and private financing opportunities available at EU level, particularly for smaller territorial entities.

48. The EU institutions should also make a particular effort to communicate and provide information about these different opportunities. The CoR commits to supporting the European Commission and the EIB in developing the necessary targeted communication tools.

49. The CoR is also alarmed by the potentially inefficient use of structural funds in several Member States. Whereas 20 % of the EU budget is dedicated to climate action, a climate criterion in projects financed by structural funds is not systematically applied or verified, which risks EU funding being used for projects that are contrary to EU climate objectives. The European Commission and Member States should be particularly vigilant and investigate these matters and take the necessary corrective measures, while having in mind the principle of technological neutrality and the right of the Member States to choose between different energy sources.

50. The CoR calls on Member States to abide by their commitment to phase out environmentally harmful subsidies. Moreover, the CoR considers that the ongoing reform of the ETS should result in setting a fair carbon price which will not harm competitiveness of the Member States, and a mechanism enabling regions to support efforts to lower greenhouse gas emissions. The CoR would like to draw the attention of the European Commission and the Council to the successful example of the carbon market set up between California and Quebec. Billions of dollars are now being reinvested in the local economy to support companies, cities and towns and citizens in the transition towards low-carbon economies. The CoR calls for the EU to take inspiration from this example in the allocation of quotas. It also calls on Member States to allow regions to play an active role in the Emissions Trading System (ETS), notably by managing part of the auction revenues and to reinvest them in sustainable projects.

51. The EU also needs to review its own legislation to facilitate investment in renewable energy; one example is that lower tax on biofuels is at present considered to be State aid, which may only be granted as a time-limited exemption, giving rise to uncertain investment conditions and administrative red tape for producers and suppliers of renewable fuels.

Given the large scale of funding needed, regions and cities will need to attract both public and private financing. There is still large untapped potential for business in sectors relating to the implementation of the Paris Agreement.

52. The CoR therefore calls on regions and cities to support a shift in mentality from 'funding' to 'financing' viable business plans for sustainable development.

53. To this end, dialogue between the public and private sector needs to be enhanced. In addition, regions and cities should work with the EIB and the banking sector more widely in order to increase their knowledge of innovative financing mechanisms for low-carbon and resilient projects.

In this context, the CoR insists that regulatory certainty and predictability must be key prerequisites in order for such projects to materialise. The CoR also highlights the importance to share good practices on the integration of sustainability criteria into the financial sector. Financial products should be evaluated and labelled with regard to their exposure to climate-related risks as well as their contribution to the low carbon transition, in order to give guidance to public and private investors.

Brussels, 12 October 2016.

*The President
of the European Committee of the Regions*

Markku MARKKULA

Opinion of the European Committee of the Regions — An EU Roadmap for Cycling

(2017/C 088/10)

Rapporteur: Kevin Peel (UK/PES), Member of Manchester City Council

POLICY RECOMMENDATIONS

THE EUROPEAN COMMITTEE OF THE REGIONS

Paradigm shift and an EU Roadmap for Cycling

1. recalls that from the 1950s onwards, transport, city and land-use planning has systematically prioritised individual motorised transportation over active mobility and public transport in many places across Europe. Car use has become the dominant mode of transportation, even for many short-distance trips. This evolution has significantly contributed to a number of severe challenges, notably climate change, air pollution, noise, road safety concerns, congestion, low quality public space, land use segregation, oil dependency within the transport sector and a drag on consumers' purchase power, insufficient levels of physical activity among a large part of the population, etc.; the latter in particular leads to further problems (e.g. late development of motor skills, particularly in children, obesity, concentration problems etc.);
2. calls, in order to address those challenges, for a paradigm shift in transport and planning/land-use policies which requires a new sustainable travel hierarchy, prioritising incentives and measures to make active modes (walking and cycling) safer and more attractive first, accompanied by the promotion of public transport second, the development of car-sharing/pooling third and private individual car use last and enabling the necessary integration of the different modes of transport. This needs to be translated into all aspects of traffic planning, including prioritisation of traffic flow for active transport users, investments in infrastructure, road space allocation, prioritisation in highway codes, etc.;
3. acknowledges that a paradigm shift in transport policy is a joint effort between all levels of government, from local and regional to national, European and indeed even global governance. Therefore calls for improved integration between levels of planning, particularly local and regional, involving the active engagement of all players in civil society, including business, NGOs, trade unions, academia, etc.;
4. points to the need to promote improved accessibility for pedestrians and cyclists at public transport stops and the provision of safe and attractive spaces and parking facilities available to all for bicycles and potential bike-sharing schemes at transport hubs in regional planning instruments;
5. points out that changes in policies and the allocation of resources, both in human and monetary terms, are driven by ambitious political targets, and therefore advises the Commission to embrace a target of doubling cycling across EU Member States over the next 10 years (from currently approx. 7-8 % share of bicycle trips in the transport modal split to approx. 15 %);
6. urges the Commission to analyse the potential for cycling in the EU transport modal split in the long-term (2030/2040/2050), to estimate the investments and other measures needed to realise this potential and to conduct a comprehensive cost-benefit analysis. It should base this analysis upon existing, well-tested tools like the World Health Organization's Health Economic Assessment Tool for Walking and Cycling, and develop them further by taking into account a cross-cutting approach to cycling with regard to sectors such as the economy, environment, climate, energy-efficiency, the transport sector, education, health, sport, etc.;

7. strongly welcomes the initiative taken by the European Parliament ⁽¹⁾ and Member States ⁽²⁾ in asking the European Commission to present a European roadmap/EU level strategic document for cycling. Member States' 'Declaration on Cycling as a climate friendly Transport Mode', endorsed during the Luxembourg EU Presidency in October 2015, also calls for the establishment of a European Cycling Focal Point at the Commission;

8. welcomes the 2014 Paris Declaration adopted by the Transport, Health, Environment Pan-European Programme (THE PEP) and strongly supports the development of a pan-European Master Plan for Cycling Promotion by its Member States, the WHO, UNECE and other stakeholders ⁽³⁾;

9. calls for an EU Roadmap for Cycling to be included in the Commission Work Programme 2018. The roadmap should address the growing demand for coordinated action at the EU level to help unlock the well-documented environmental, health and economic benefits of cycling; while ensuring that within this roadmap there are actions that allow the raising of awareness and the dissemination of such benefits, in order to create an habit or culture of cycling;

10. points out that, in accordance with the principle of subsidiarity, the strategic development of a national network of cycle routes falls within the competence of the Member States and the EU should therefore play a supporting role, primarily at these networks' cross-border connections, in strategies developed by countries and regions with lower numbers of people who cycle every day, as well as coordinating and developing the European cycle route network;

11. stresses, however, that LRAs are the principal players in shaping the conditions for tomorrow's urban and regional transport and mobility system, with the full application of the principle of subsidiarity and proportionality as urban mobility and urban transport are a competence of LRAs. In that respect experience shows that detailed cycling plans can be mainstreamed into local transport strategies in order to develop ambitious visions for cycling that communities can support. In turn regional transport partnerships and strategies can also mainstream cycling in regional policies and provide support programmes for cycling;

12. reiterates, therefore, the CoR's call for LRAs to be more actively involved in the decision-making process ⁽⁴⁾ and believes that, as the voice of LRAs, the CoR should lead the discussion on EU initiatives for the promotion of cycling because cities and regions are expected to benefit most from such actions;

13. also sees cycling as one central element for sustainable urban mobility, and as a centrepiece of an integrated EU urban agenda;

Funding

14. points out that there is strong academic evidence that investments in cycling infrastructure come with a benefit-to-cost ratio of at least 5:1 ⁽⁵⁾. Economic benefits are coming from different directions: firstly, in terms of creating mainly local jobs in bicycle manufacture and the retail trade, repairs, infrastructure construction or maintenance, as well as in fields such as cycling tourism and transport and other services. Secondly, in terms of improved public health due to increased physical activity and less air and noise pollution. Thirdly, less traffic congestion leads to a decrease in blocked roads, in delays and lost working hours, and in wasted fuel. This will lead overall to a better urban quality of life and at the same time increase attractiveness. Finally, economic benefits can be seen in terms of more efficient land use;

⁽¹⁾ 2015/2005(INI) calls for 'an EU roadmap for cycling to be included in the Commission Work Programme 2016'.

⁽²⁾ Declaration on Cycling as a climate friendly Transport Mode, informal meeting of EU transport ministers, Luxembourg, 7 October 2015. <http://www.eu2015lu.eu/en/actualites/communiqués/2015/10/07-info-transport-declaration-velo/07-Info-Transport-Declaration-of-Luxembourg-on-Cycling-as-a-climate-friendly-Transport-Mode—2015-10-06.pdf>

⁽³⁾ http://www.unece.org/fileadmin/DAM/thepep/documents/Déclaration_de_Paris_EN.pdf

⁽⁴⁾ Opinion on the 'Implementation of the 2011 white paper on transport', rapporteur: Spyros Spyridon (EL/EPP) (OJ C 195, 12.6.2015, p. 10).

⁽⁵⁾ The UK Department for Transport put the benefit-to-cost ratio (CBR) of cycling grants at 5.5:1, in Department for Transport, 'Value for Money Assessment for Cycling Grants', 2014; Transport and Mobility Leuven estimated investments in the Capital Region of Brussels to deliver a CBR of 5:1-9:1, in Transport and Mobility Leuven, 'Impact et potentiel de l'usage du vélo sur l'économie et l'emploi en Région de Bruxelles-Capitale: Les effets directs et indirects de l'usage du vélo en 2002, 2012 et 2020', 2014; CBR in Helsinki was estimated at 8:1, in City of Helsinki, 'Helsinki Bicycle Account 2015'.

15. reiterates, therefore, the call of transport ministers in the 'Declaration on Cycling as a climate friendly Transport Mode' for an EU-level strategic document on cycling that identifies 'EU policy and funding instruments that are already mobilised or that should be mobilised to increase cycling's mode share and to foster cycling related employment in the EU, and include cycling in (...) EU policies and funding instruments' ⁽⁶⁾;

16. calls, moreover, for a forward-thinking EU transport investment policy, that should also improve public health and that invests, with full consideration of the Paris Agreement at COP 21, EU' transport funds in cycling ⁽⁷⁾;

17. proposes, as a general rule, that every relevant infrastructure project co-funded by the EU should take cycling into consideration as much as possible, including to avoid a possible negative impact on cycling due to the construction of motorways, railways, etc. (i.e. the 'Cycling in all infrastructure projects' principle). Moreover, in the 2018-2020 work programmes of the research and innovation programme of the European Commission, Horizon 2020 (Mobility for growth), cycling should be introduced as a stand-alone funding priority;

18. requests that the European Commission establishes minimum cycling infrastructure quality criteria for relevant projects co-funded with EU money, particularly network design criteria that focus on safety, functionality and signage, so as to ensure value for the European taxpayer's money; requests, in addition, that the Commission works with Member States and local and regional authorities to develop national guidance documents as well as a best practice database and knowledge exchange for the provision of cycling infrastructure. Similarly, calls on the European Commission to establish criteria for the financing, management and economic viability of the main measures;

19. proposes to include EuroVelo, the long-distance cycle route network ⁽⁸⁾, in the TEN-T, thereby improving cross-border connections, developing tourism opportunities and fostering better inner-city accessibility, and suggests the use of Connecting Europe Facility funds for urban nodes, e.g. for the construction of urban and suburban (fast) cycling routes;

Road safety

20. recalls that fear of accidents when cycling amongst motorised traffic contributes to the widespread perception that cycling is a dangerous activity. This fear is to some extent unfounded, since most accidents involve the cyclist alone and no other vehicle, but it does have the effect of discouraging cycling and can be a barrier to its success;

21. recalls that low speed limits in built-up areas and enforcement of those limits is one of the most important factors in decreasing road fatalities. Collisions between cyclists and vehicles travelling at speed are a major cause of death and serious injury for cyclists. The CoR calls, therefore, for the EU to propose to national, regional and local authorities recommendations on better speed management and on the creation of traffic-calming measures via the introduction, among other things, of streets in urban areas with a default speed limit of 30 km/h (or 20 mph) and that take bicycles into account, making it possible for various users to coexist: pedestrians, bicycles, cars, heavy goods vehicles, emergency vehicles (ambulances, fire engines, etc.). In addition, intelligent speed assistance systems should also be phased in through type-approval for all new motorised four-wheelers, buses and heavy goods vehicles to be licensed on EU public roads; points out that there is a clear discrepancy between the actual, objective safety of cycling and many people's subjective perception of safety. In order to minimise this discrepancy, there should also be an emphasis on soft information and communication measures, such as effective public information campaigns. Only if people's fear of cycling can be reduced and the subjective perception of safety improved, will reluctant cyclists feel at ease and use the bicycle as a form of transport;

⁽⁶⁾ Policies mentioned in the Declaration include: Sustainable Urban Mobility Plans in the 2013 Urban Mobility Package, Policy Orientations on Road Safety 2011-2020, CIVITAS 2020, ELTIS, URBACT and the European Mobility Week and relevant funding instruments (including European Structural and Investment Funds, COSME and Horizon 2020).

⁽⁷⁾ This includes infrastructure but also mobility services, such as bike-sharing, ITS systems, cycle-friendly rolling stock, etc.

⁽⁸⁾ <http://www.eurovelo.org/>

22. recalls, moreover, that despite the relatively low number of larger and heavier vehicles in urban areas compared to the overall number of motorised vehicles, they are disproportionately involved in cycling fatalities;

23. regrets the excessively slow decrease in cyclist fatalities and supports, in this respect, the adoption of an EU-wide serious injury target and the exploration of possible under-reporting of serious injuries. In this regard, it must be a working principle of the EU Roadmap for Cycling to move towards the goal of zero fatalities and to be a world leader in cycling safety and protection;

24. calls for the timely revision of the General Safety Regulation, particularly in relation to direct vision improvements concerning drivers of heavy goods vehicles, which could be complemented by other obligatory active safety systems, such as sensors to detect cyclists and automated braking systems in order to avoid collisions;

25. calls for an update of the Regulation on the type-approval of motor vehicles with regard to the protection of pedestrians and other vulnerable road users⁽⁹⁾ to also include testing procedures for cyclist protection if impacting the front of a car;

26. calls for consideration to be given to incorporating specific measures to improve safe cycling in existing EU directives such as the EU Infrastructure Safety Directive on tunnels and TEN-T infrastructure⁽¹⁰⁾ for urban and rural roads;

Urban mobility and Intelligent Transport Systems

27. requests that the upcoming Commission guidelines on urban logistics⁽¹¹⁾ should recognise the tremendous potential to shift the delivery of services and goods of up to 250 kg to e-cargo cycles and hence recommend cycle-logistics deliveries to be the preferred option wherever possible;

28. points out that urban and transport planning must be closely coordinated and integrated with local mobility in all areas;

29. insists that education on road safety, traffic laws and road rules as well as some bicycle-specific rules starting in schools is paramount and it will contribute to the reduction of accidents involving cyclists; the European Commission should help in facilitating the dissemination of tried and tested local school schemes that bring together schools, police and other stakeholders in making junior cyclists aware of good cycling techniques as well as core notions on how to measure the force and velocity of potential impacts on the road while also promoting the benefits of cycling as a social, healthy and essentially safe mode of transportation;

30. reiterates the CoR's position that national and municipal urban access regulations and road user charging can be effective instruments to manage the competing demands for urban road space and to address crucial problems such as congestion, pollution and urban sprawl⁽¹²⁾ and stresses, in that context, that the Commission's forthcoming non-binding guidelines on urban accessibility⁽¹³⁾ should consistently prioritise cycling; recommends to LRAs that revenues from access restriction schemes and road user charges should be partially reinvested in cycling so as to create attractive alternatives for car use;

31. points out that combining cycles and public transport is mutually beneficial and that multi-modality is crucial for successful seamless urban transport networks; reiterates the CoR's call for the obligatory publication of timetables and other travel information and full accessibility for all EU citizens⁽¹⁴⁾, as well as the development of IT systems and route planning applications that take intermodality into account, and demands that, as regards multi-modality, cycling and bike-sharing

⁽⁹⁾ Regulation (EC) No 78/2009 of the European Parliament and of the Council of 14 January 2009 on the type-approval of motor vehicles with regard to the protection of pedestrians and other vulnerable road users, amending Directive 2007/46/EC and repealing Directives 2003/102/EC and 2005/66/EC (OJ L 35, 4.2.2009, p. 1).

⁽¹⁰⁾ Directive 2004/54/EC of the European Parliament and of the Council of 29 April 2004 on minimum safety requirements for tunnels in the Trans-European Road Network (OJ L 167, 30.4.2004, p. 39). Directive 2008/96/EC of the European Parliament and of the Council of 19 November 2008 on road infrastructure safety management (OJ L 319, 29.11.2008, p. 59).

⁽¹¹⁾ http://ec.europa.eu/transport/facts-fundings/tenders/index_en.htm

⁽¹²⁾ Opinion on the 'Urban Mobility Package', rapporteur: Sir Albert Bore (UK/PES) (OJ C 271, 19.8.2014, p. 18).

⁽¹³⁾ http://ec.europa.eu/transport/themes/urban/news/2015-11-27-guidance-access-regulations_en.htm

⁽¹⁴⁾ Opinion on 'Multimodal travel information, planning and ticketing services', rapporteur: Petr Osvald (CZ/PES) (OJ C 19, 21.1.2015, p. 36).

schemes should be fully integrated into technical standards, EU legislation and EU-funded R & D schemes, in particular as regards journey-planning, ticketing, parking, etc. The infrastructure in and around bus and train stations, as well as public transport amenities themselves, need to be improved to facilitate easy switching between trains, buses and bicycles ⁽¹⁵⁾;

E-mobility and public procurement policies

32. proposes that electromobility policies at all governmental levels should always take into account e-cycling;

33. advises the Commission to include cycling in its revision of the EU Green Public Procurement criteria for transport. Procurement criteria should not only strive to make marginal improvements to cars and light commercial vehicles (LCVs) bought by public procurers, but also to achieve a modal shift towards environmentally friendly transport modes like cycling. Therefore, it should be an obligatory step in procurement procedures according to the EU Green Public Procurement criteria to check if bicycles (including pedelecs) can be bought instead of passenger cars and cargo cycles (including electric and electric-assist cargo cycles) instead of LCVs. Similarly, it advises incorporating innovation-related public procurement criteria to facilitate all aspects of technological development and dissemination among the Member States;

Climate change mitigation and air quality

34. acknowledges that a jigsaw of policies is needed to mitigate climate change, meeting the EU's decarbonisation objectives for the transport sector and improving urban air quality. This includes technical solutions, policy shifts, and incentives to avoid unnecessary trips. Ambitious cycling delivery programmes should be an integral part of any climate change mitigation and air quality strategy, no matter the governance level. Ambitious cycling policies can also contribute to delivering on 11 of the United Nations Sustainable Development Goals ⁽¹⁶⁾;

Cycling data

35. stresses that reliable and comparable data is essential to making informed decisions and measuring the impact of policy and funding interventions, and therefore advises the Commission (Eurostat) to develop a common data collection methodology and harmonised definitions for national and urban data on cycle use;

Cycling Focal Point at the European Commission and the exchange of best practice

36. welcomes the appointment of a cycling contact person within DG MOVE but points out that this position should be upgraded to a Commission-wide Cycling Focal Point equipped with at least 1 FTE in staff resources, and complemented with cycling contact points in all relevant Commission DGs ensuring an efficient inter-service consultation and intra-Commission coordination;

37. asks the Commission to support a clearing house, equipped with adequate resources, to address Member States' and LRAs' need for access to best practice, case studies, reports, funding possibilities, etc. on cycling ⁽¹⁷⁾.

Brussels, 12 October 2016.

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

⁽¹⁵⁾ Bitibi-project supported by Intelligent Energy Europe.

⁽¹⁶⁾ World Cycling Alliance/ECF, 'Cycling delivers on the Global Goals', 2015. https://ecf.com/sites/ecf.com/files/The%20Global%20Goals_internet.pdf

⁽¹⁷⁾ The ELTIS urban mobility observatory has collected many good practice examples (www.eltis.org).

III

(Preparatory acts)

COMMITTEE OF THE REGIONS

119TH PLENARY SESSION, 10, 11 AND 12 OCTOBER 2016

Opinion of the European Committee of the Regions — eGovernment Action Plan 2016-2020

(2017/C 088/11)

Rapporteur:	Martin Andreasson (SE/EPP), Member of Västra Götaland Regional Council
Reference document:	Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on the EU eGovernment Action Plan 2016-2020 — Accelerating the digital transformation of government
	COM(2016) 179 final

POLICY RECOMMENDATIONS

THE EUROPEAN COMMITTEE OF THE REGIONS

1. welcomes the proposal's overall vision and its aim of removing existing digital barriers to the single market and preventing further fragmentation arising in the context of the modernisation of public administrations;
2. highlights the key importance of local and regional authorities, both in modernising administrations as the creators and administrators of digital infrastructure and services in areas of importance for society, and in taking responsibility for directly providing their residents with services shaped to meet expectations in an increasingly digitalised world;
3. stresses how very important public services are in driving the digital transformation of the European economy, over and above e-government, and notes that the proposals set out include measures within most areas of people's lives, but not in the culture and education sector;
4. draws attention to the importance of modernising public institutions and systems of governance and making them accessible to individuals and businesses by means of digital services, and therefore emphasises its support for the development of cross-border public services, especially those that allow for interoperability and information transfer, such as e-procurement, e-identification, e-signatures, the electronic service of documents and other aspects of e-government ⁽¹⁾;
5. recommends that those local and regional authorities that are important to the success of the planned measures should be involved not only in the implementation, but also in the development of the planned national measures and tools highlighted in the action plan;

⁽¹⁾ See CdR 4165/2014, 5960/2013, 5559/2013, 3597/2013, 1646/2013, 2414/2012, 1673/2013, 626/2012, 402/2012, 65/2011, 104/2010 and 5514/2014.

6. suggests that the European Committee of the Regions should be included in the e-Government Action Plan Steering Board in order to ensure that the discussions reflect the local and regional dimension, given that a significant proportion of welfare services are provided by local and regional operators;

Introduction

7. shares the Commission's view that e-government makes administration simpler, more efficient and more transparent;

8. considers that the importance of digitising the governance of European, national or local authorities is a positive factor, including as regards simplifying time-consuming bureaucratic procedures and because it enables people to monitor legislative activities, keep up to date with problems that affect them directly and take an active role in decision-making;

9. also agrees with the Commission's assessment that many individuals and businesses are still unable to enjoy the full potential of digital public services, and points out that the development of e-government in Europe has been uneven between the Member States and regions;

10. against this background, welcomes the action plan's aim of being the instrument to join up efforts to modernise administrations in Europe;

11. welcomes the fact that the action plan's dynamic and flexible design allows for additional measures that can take advantage of local and regional authorities' knowledge of providing digital public services in areas of importance to society, such as education, care and healthcare, industry, infrastructure, etc.;

12. highlights the potential that digital governance holds in many areas including in disaster response; capitalising on mobile technology, the internet and social media for communication purposes can be a useful tool not only in collecting, disseminating and coordinating data but also in supporting democratic accountability and transparency;

13. highlights the action plan's ambition to serve as a catalyst for public sector modernisation. In order for it to be successful, it is important for local and regional authorities to be involved in the work and to have good access to funding sources and accompanying measures within the EU programmes coordinated via the action plan;

Vision and underlying principles

14. supports the Commission's vision that, by 2020, public administrations and institutions should be open, efficient and inclusive, providing borderless, personalised, user-friendly, end-to-end digital public services to all citizens and businesses in the EU;

15. recognises that transparent administrations that provide data and services openly and securely are important in increasing transparency and efficiency, but at the same time points out that certain types of information handled by public institutions need a high level of protection;

16. endorses the principle that digital should be the default method used by public administrations for delivering services, and therefore stresses that conscious, long-term, structured efforts must be made to increase digital inclusion so that more people can access the infrastructure and skills they need to enjoy the opportunities offered by digitalisation;

17. supports the level of ambition shown in the principle that public administrations should ask citizens and businesses to provide the same information only once;

18. at the same time notes that there are legal, technical and organisational challenges that need to be addressed before information can be re-used; in that connection, welcomes the pilot project on implementing the 'once-only' principle for business contacts across borders and takes the view that the extensive contacts that companies have with local and regional authorities should be analysed in the pilot phase;

19. considers that it is worth exploring innovative e-government concepts such as e-residency, which provides access to certain services for citizens and companies without requiring a physical residence. This reduces bothersome paperwork and makes it more attractive for foreign companies to invest;

20. notes that inclusiveness in the design of digital content and services is a principle that will benefit all users, especially people with disabilities. It is therefore important to continue with cooperation and research to update existing standards in order to keep pace with technological progress;

21. agrees with the principle that public administrations should share information and data between themselves and with citizens and businesses openly and inclusively. At the same time, the Committee stresses that it is important for all organisations to be in a position to determine which types of information should be publicly available and which should be protected;

22. supports the principle that public administrations' e-government services should be cross-border by default, and stresses that local and regional authorities, many of them in border regions, can play a crucial role in identifying and developing cross-border services that are relevant, efficient and seamless;

23. supports the principle of interoperability by default, which is a key factor in making use of the possibilities offered by digitalisation;

24. agrees with the Commission that adequate personal data protection, privacy and information security should be included at an early stage in the development of digital services, as lack of trust in digital services is still a barrier to the growth of e-government;

25. at the same time notes that cross-border standards for public e-services and interoperability of public administration should not replace national, regional and local systems that are already functioning well, but rather provide an overview of standards and specifications which authorities can apply so as to achieve interoperability when their existing systems have to be updated;

26. notes that any organisation dealing with sensitive data of any kind should systematically use data classification and security in their work, particularly since activities such as advanced hacking attacks, cyber warfare and cyber terrorism can cause enormous damage. Although transparency has to be the starting point, all information deemed worthy of protection must effectively benefit from proper protection. In some extreme cases, this could mean physically separating information, or an entire system, from the internet;

27. therefore welcomes the fact that the legal framework is being harmonised in the General Data Protection Regulation, but points out that competition in this field is global, and underlines the importance of ensuring that the legal framework does not hinder the pace at which new solutions and services are developed;

28. stresses the importance of effective guidance on the Data Protection Regulation and the need to include all stakeholders in discussions concerning property rights and liability with respect to the use of personal data;

29. highlights the Commission's role in creating the basic conditions for interoperability and harmonisation that will allow for the exchange of information on which the principles are founded;

Political priorities

30. points out that there are still groups of people in Europe who do not have internet access or sufficient digital skills to use digital services, and that proactive efforts need to be made to improve digital inclusion;

31. stresses that reliable, affordable, high-performance networks in all areas are crucial in order to ensure that all individuals and businesses can access modern digital public services and can make the most of next-generation technology (Internet of Things (IoT), Big Data, e-health, smart cities, etc.);

32. emphasises that support options at European and national level must be consistently and continually developed in order to support the deployment of high-speed broadband in all areas, particularly in the regions' rural areas, where a lack of profitability is often a barrier to market-driven development;

33. stresses that, in order to succeed in modernising public administration, common standards and technical specifications need to be developed jointly with all relevant stakeholders; this would allow for efficient, reusable digital services with a high degree of interoperability;

34. welcomes the Commission's plan to revise the European Interoperability Framework, and urges the Commission to continue to support administrations' take-up of the recommendations in the framework;

35. emphasises that local and regional authorities should be seen not just as users of cross-border standards and services, but also as key producers within the European Interoperability Framework;

36. welcomes the Commission's plan to develop a prototype for a European catalogue of ICT standards for public procurement, and highlights the vital importance of procurement, particularly within local and regional authorities, in avoiding proprietary lock-in and making it possible to implement solutions and services with a high degree of interoperability and innovation;

37. calls on the Commission to work more closely with local and regional authorities in its attempt to support full e-procurement by 2019, especially as it will be at the local and regional enforcement level that challenges may emerge; it will be crucial to work with local and regional government as well as the private sector so as to achieve the full potential of the savings that can be generated from the public procurement market estimated to be more than 2 trillion euros;

38. notes that electronic identification is a core element in secure, efficient and accessible digital public services, and welcomes the fact that the Commission plans to take action to accelerate the take-up of eIDAS services ⁽²⁾;

39. points out that work on interoperability and standards takes time and requires a long-term vision, as well as adequate and lasting funding;

40. therefore welcomes the fact that the Commission will present a way forward for guaranteeing the long-term sustainability of cross-border digital services. This is necessary in order to build trust in these services and their technical building blocks and to ensure that the efforts made in connection with this work do not go to waste;

41. feels that public institutions in cooperation with the private and non-profit sectors should work together in providing sufficiently accessible infrastructure but, in view of the complexity of setting an appropriate timeline for updating systems and technology in digital ecosystems, calls on the Commission to look closely at the consequences and limitations of the possible implementation of the 'no legacy' principle;

42. welcomes the Commission's ambition of making the e-Justice Portal a one-stop shop bringing together information and functions for communicating and finding information and practices relating to European law and judicial procedures, information on companies and insolvency registers;

43. welcomes the mandatory interconnection of all Member States' business registers, because businesses are increasingly operating beyond national borders and there is a growing need and demand for information on companies in a cross-border context, not least in Europe's border regions;

44. in this context, also welcomes the electronic interconnection of insolvency registers to enhance transparency and legal certainty in the internal market and avoid forum shopping;

45. supports the initiative to facilitate the use of digital solutions throughout a company's lifecycle, and calls for this initiative to involve less red tape for businesses;

⁽²⁾ Regulation (EU) No 910/2014.

46. welcomes the fact that the Commission will propose an extension to the Single Electronic Mechanism for registration and payment of VAT, and calls for the complex VAT rules to be developed in a targeted way to facilitate cross-border digital trade. This will in particular benefit small and micro-businesses, as it is harder for them to contend with the administrative burdens that complex legal frameworks inevitably entail;

47. is in favour of supporting cross-border mobility of citizens by exchanging social security information (EESSI) and information between job-seekers and employers in the EU (EURES);

48. is in favour of EU initiatives to enable the cross-border exchange of healthcare data and services, including interoperable systems for digital prescriptions, as this will improve patient safety, is in line with the intentions of the Patient Mobility Directive⁽³⁾ and increase quality and efficiency of healthcare;

49. agrees with the Commission that getting citizens, businesses and researchers closely involved in the design and delivery of digital public services will improve the quality, efficiency and utility of those services;

50. stresses that open data, provided to third parties securely and reliably, are a vital prerequisite in order to modernise and transform local and regional authorities so that they can deliver tomorrow's innovative services throughout their operations;

51. therefore welcomes the initiative of creating an EU platform for public authorities to open their data and services, but stresses that the Commission should support the development and coordination of strategies to open up data by providing local and regional authorities with technical and methodological support;

52. emphasises that the provision of high-quality, interoperable data will require concerted efforts with regard, inter alia, to information architecture, information classification and interoperability at all levels, and therefore welcomes the deployment and take-up of data infrastructure at EU level, whereby the work done under the INSPIRE Directive can provide a model for the provision of common data descriptions;

53. in this context, welcomes the European Cloud Initiative⁽⁴⁾, which will provide an opportunity to improve transparency and efficiency by allowing for a shared cloud infrastructure for the provision of digital public services;

54. emphasises that digital literacy and skills among citizens, workers and job-seekers are hugely important for the widespread implementation of digitalisation in the economy and for the modernisation of administrations;

Work under the action plan

55. agrees that implementation of the action plan will require shared commitment and ownership at all levels of administration, and highlights the responsibility borne by local and regional authorities as the public sector's primary 'interface' with citizens and businesses.

Brussels, 11 October 2016.

The President
of the European Committee of the Regions
Markku MARKKULA

⁽³⁾ 2011/24/EU.

⁽⁴⁾ COM(2016) 178 final.

Opinion of the European Committee of the Regions — The European pillar of social rights

(2017/C 088/12)

Rapporteur: Heinz-Joachim Höfer (DE/PES), Mayor of Altenkirchen**Reference document:** Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions — Launching a consultation on a European Pillar of Social Rights

COM(2016) 127 final

POLICY RECOMMENDATIONS

THE EUROPEAN COMMITTEE OF THE REGIONS

General comments

1. welcomes the proposal for a European Pillar of Social Rights as it would help implement the European Union's aims set out in Article 3 TEU, namely that it shall 'work for the sustainable development of Europe based on balanced economic growth and price stability, a highly competitive social market economy, aiming at full employment and social progress' (...), 'combat social exclusion and discrimination, and (...) promote social justice and protection, equality between women and men, solidarity between generations and protection of the rights of the child' and 'promote economic, social and territorial cohesion, and solidarity among Member States';
2. expects the European Commission to comply with the principle of subsidiarity when proposing the European Pillar of Social Rights and to respect the broad competences of national and sub-national authorities in social policy; it must also be ensured that the content of the pillar is compatible with the general principles of the Better Regulation agenda;
3. welcomes the fact that the European Commission has decided to launch an open consultation on a pillar of social rights because, after years of crisis with high unemployment rates and austerity, a political discussion about a new initiative for social rights was much needed; considers that the Pillar can make a contribution to the coordination of social policies and rights in the Member States and foster upwards convergence;
4. welcomes the Commission's effort to discuss the scope and the content of the future social pillar and stresses the added value of involving local and regional authorities in such a debate, especially by strengthening and highlighting the importance of the territorial dimension for socioeconomic topics that are part of the overall EU policy approach and of a place-based approach when it comes to designing and implementing socioeconomic policies;
5. reiterates its call for better coordination of economic and social policies between the European and national levels of government under the European Semester, and calls for local and regional authorities to be more closely involved in this coordination ⁽¹⁾;
6. insists that this social pillar must be developed on the basis of demonstrable local, regional and national added-value and should be horizontal in nature, to ensure that better account is taken of the social dimension of the Economic and Monetary Union's (EMU) economic governance, which is crucial for the functioning and viability of the EMU and for the legitimacy of the European integration process;
7. highlights that if this initiative is translated into strong social safeguards including for access to health, educational, social services, together with social services of general interest, and social security services, it can be seen as a coordinating tool that provides support to Member States to address social inequalities, to combat social dumping, to drive forward upward convergence of social standards in the euro area and to consolidate the EU's aims of inclusive and sustainable growth;

⁽¹⁾ CoR opinion on The social dimension of the Economic and Monetary Union (CDR 6863/2013).

8. reiterates its call that, in order to improve the social dimension of the EMU, it is crucial to tackle regional disparities by modernising, where appropriate, existing legislation and/or envisaging new measures to support greater convergence; suggests, therefore, that regional disparity indicators be added to the EMU social indicators scoreboard ⁽²⁾;

9. expects that the European Commission proposal for a European Pillar of Social Rights will help to further strengthen the social rights — both individual and collective — listed in the Charter of Fundamental Rights of the EU ⁽³⁾;

10. welcomes the fact that key gender policy challenges are raised in the European Commission's consultation exercise, such as the low participation of women in the labour market and the gender segregation of the labour market (principle 5), the gender gap in wages and pensions (principles 5 and 13), the lack of balance between work and family life (principles 5 and 18) and the multiple burden on women because of long-term care of relatives (principle 17). The European Commission should also explain whether the proposed measures are sufficient to reduce discrimination against women or whether, in addition, further mainstreaming of gender issues is needed;

11. welcomes the fact that, although the Commission proposal only applies to Member States in the euro area, EU Member States outside the euro area were also invited to participate;

12. emphasises that closer coordination of economic and fiscal policies in the Eurozone must go hand in hand with full consideration of the social dimension to the EMU;

13. asks that greater emphasis be placed on the financing of social policy which is a particular challenge for local and regional authorities. Such challenges arise not only because spending on welfare systems vary widely across Europe, but also because overall investment at subnational level is going down ⁽⁴⁾;

14. underlines the importance of a strong European social agenda, in which competitiveness and social justice complement each other, with fair wages — an area in which the EU has only coordinating powers and which is determined by each Member State either by law or through collective bargaining, and in any case in full respect of its traditions and practices — being a key component; such an agenda must fully uphold the principle of non-discrimination, in accordance with Article 21 of the Charter of Fundamental Rights;

15. stresses that, in view of rising youth unemployment and the growing number of people in or at risk of poverty in recent years, the social pillar must also take account of the urgent need to reduce poverty, foster social inclusion and tackle youth unemployment;

16. highlights the need for closer cooperation between the different levels of government, sectors and stakeholders, including a stronger role for social partners and the introduction of an efficient instrument for civil dialogue, which would strengthen the democratic legitimacy of the Union;

17. points out that some local and regional authorities have used their public procurement policies to encourage and require contractors to pay fair wages to their staff, which can be an additional lever to encourage organisations to adopt fair employment practices. Reminds to this effect that EU law does not preclude the exclusion from a procedure for the award of a contract of a tenderer who refuses to undertake to pay staff concerned the statutory minimum wage ⁽⁵⁾;

18. expresses its regret that the Commission's proposal does not put further emphasis on tackling the challenges accompanying the changing world of work, including increased digitalisation, which should be addressed by focusing in particular on the development of digital skills in the labour force. Indeed, the emergence of non-standard forms of work leads to new risks of 'grey zones' in terms of labour rights and access to welfare; therefore calls on the Commission to properly define flexibility in working conditions, so as to strike a balance between flexibility and security;

⁽²⁾ Resolution on the European Commission work programme 2016 (COR-2015-5929).

⁽³⁾ Chapter IV — SOLIDARITY.

⁽⁴⁾ <https://www.oecd.org/els/soc/OECD2014-Social-Expenditure-Update-Nov2014-8pages.pdf>

⁽⁵⁾ Judgement of the Court of Justice of the EU in Case C-115/14 (of 17 November 2015) found compatible with EU law legislation of a regional entity of a Member State requiring tenderers and their subcontractors to undertake to pay a minimum wage to staff performing the services covered by the public contract.

19. recalls that at a time of rapid digitisation of the economy and society, it is important to provide people, especially older people, with the digital skills needed to achieve a more inclusive social model;
20. highlights that skills acquisition through education and training, and access to life-long learning matter more than ever in light of the changing work realities, while underlining the importance of skills being matched with labour market needs;
21. is convinced that the democratic legitimacy of EMU can be strengthened if Europe's citizens believe that the principle of social progress and equality of opportunity is being safeguarded so that employment and social standards are not being treated as peripheral to the macroeconomic adjustment process;
22. urges that the European Pillar of Social Rights ensures that local and regional authorities are supported in their endeavours to implement appropriate employment and social policies, including support and capacity building to develop Work Life Balance policies, in line with the recent European Commission proposal. This approach requires that local and regional challenges be addressed in these areas and that sharing of best practice be facilitated at local and regional level;
23. notes that Europe is facing huge social challenges, with striking economic and demographic divergences across European regions, with many young people facing numerous challenges such as an education system mismatched with the needs of the market, difficulties in finding employment, mobility obstacles especially for young people who live in small communities, located in peripheral, outermost, island and rural areas, forced mobility, or social isolation. There is therefore no 'one-size fits all' policy solution, and any policy intervention — either public or private — must take into account local and regional specificities, such as the case of regions facing demographic challenges and/or brain drain, while ensuring minimum social, economic and educational opportunities for young people. At the same time, in light of the persistently high rate of youth unemployment, the CoR reiterates the importance of extending the benefits of the Youth Guarantee to cover young people up to the age of 30 (rather than 25) ⁽⁶⁾;
24. insists that the European pillar of social rights should consider a priority the need for universal access to quality welfare systems and public services, while also respecting Member States' competences in this area;
25. highlights the role of Regional and Local Government in pioneering flexible working practices and creating fair work conditions at the workplace, in consultation with employees and trade unions and based on the principles of equality and respect;
26. suggests that the Commission consider the possibility of introducing incentive measures for EMU countries that implement reforms to achieve the social objectives of the Europe 2020 strategy and to combat social imbalances;
27. urges the Commission to support Member States in their efforts to modernise social protection systems within the framework of the European Semester; further expects the Commission to propose a fiscal capacity for the Eurozone, open to all Member States, which could also allow for a European coordination of anti-cyclical policies;
28. recalls that being unemployed for a long time can create a vicious cycle leading to low employment opportunities, skills erosion, lower earning potential and increasing the lifetime risk of poverty and social exclusion;
29. points out that Europe's ageing population will lead to gaps in labour markets in many Member States, and that mobile workers can provide one way of addressing this challenge; shares the Commission's view that the number of mobile workers in Europe is still too low to be considered a real European labour market; it is therefore essential that the qualifications of mobile EU professionals are recognised in a fast, simple and reliable way ⁽⁷⁾;

⁽⁶⁾ CDR789-2013.

⁽⁷⁾ Modernisation of the Professional Qualifications Directive (2013/55/EU of the European Parliament and of the Council) (OJ L 354, 28.12.2013, p. 132)

30. stresses that elderly citizens are amongst those population groups most likely to be particularly at risk of poverty and social exclusion. In most Member States, it is primarily people living in peripheral rural areas or in disadvantaged urban areas who are affected. Moreover, elderly people are often those continuing to live in depopulated or even disappearing communities;

31. as stated in the Committee of the Regions opinion on 'The EU response to the demographic challenge', more effective and efficient public services need to be put in place and new ways of improving the quality of life as well as the physical, mental and social well-being of all citizens should be established. We need to take advantage of the opportunities presented by demographic change, which include employment opportunities associated with the services for older people that are part of the 'silver economy' (physical and digital services, those relating to healthy lifestyles, etc.). Having access to these services is one of their fundamental rights;

32. points out that Europeans live longer, hence the costs of health and social care will rise substantially to about 9 % of EU GDP in 2050; in this sense ICT can be a powerful ally for maintaining cost-efficient and high-quality health and social care, as it empowers people of every age to better manage their health and quality of life, in any place;

33. recalls that investment in ICT provides a key tool for regions and cities in their efforts to tackle the challenge of an ageing population. Such investment can enhance quality of life, support social inclusion, help them to stay informed about new developments at European or national level and enable their accumulated experience and skills to contribute to the development of society and stimulate competitiveness and growth at local and regional level through new products and services;

Specific recommendations on amending the Annex

34. in Principle 2(a) (Chapter I), after the sentence 'Equal treatment shall be ensured ... non-permanent employment relationships shall be prevented', add ', stepping up the compliance with labour contract standards required of companies in order to access EU funding and so avoid the risk of social dumping';

35. Principle 2(b) (Chapter I) should be worded as follows: 'Flexibility in the conditions of employment can offer a gateway to the labour market and maintain employers' ability to swiftly respond to shifts in demand; however, the transition towards open-ended contracts should be ensured wherever possible';

36. the first sentence of Principle 7(c) (Chapter II) should read: 'Dismissal of a worker who has successfully completed their probationary period is to be motivated, preceded by a reasonable period of notice defined at national level, and there shall be an adequate compensation attached to it, if dismissal is unjustified, as well as access to rapid and effective appeal to an impartial dispute resolution system';

37. the first sentence of Principle 8(a) (Chapter II) should read: 'Employment shall be fairly remunerated, enabling a decent standard of living. Wages, and where applicable minimum wages, shall be set through a transparent and predictable mechanism by each Member State either by law or through collective bargaining, and in any case in full respect of its traditions and practices. Wage setting shall safeguard access to employment and the motivation to seek work, and wages shall evolve in line with productivity developments';

38. Principle 11(a) (Chapter III) should read: 'Benefits and social protection services shall be integrated as much as possible, at least in neighbouring territories and where local authorities play a bigger role, in order to strengthen the coherence and efficiency of these measures and support integration into society and the labour market';

39. the first sentence of Principle 12(a) (Chapter III) should read: 'Everyone shall have timely access to good quality preventive and curative health care as well as care for elderly and/or dependent persons, and the need for healthcare or elderly care shall not lead to poverty or financial strain';

40. the first sentence of Principle 12(c) (Chapter III) should read: 'All workers, regardless of contract type, shall be ensured adequately paid sick leave (reflecting the rights they have acquired under national social security systems) during periods of illness; the participation of the self-employed in insurance schemes shall be encouraged'. Monetary benefits in the event of illness cannot be defined without considering Member States' other social security rules. Otherwise, this would lead to claims to social security disconnected from personal contributions, which in turn would run counter to the subsidiarity principle;

41. the first sentence of Principle 13(a) (Chapter III) should read: ‘... such as by adequately crediting care periods where the employee still has the right to wage payments or compensation for loss of income, in accordance with the employee’s accrued rights under the social security system. According to national specificities, the participation of the self-employed in pension schemes shall be encouraged’;

42. Principle 15(a) (Chapter III) should read: ‘Adequate minimum benefits shall be ensured, in accordance with national practice, for those who lack sufficient resources for a decent standard of living. For people who are of working age and fit for work, this state guarantee of a minimum subsistence level shall be linked to cooperation requirements, such as participation in active support to encourage labour market (re)integration. Receiving these benefits should not create barriers to employment’;

43. Principle 18(b) (Chapter III) should read: ‘Measures shall be taken at an early stage and preventive approaches shall be adopted to address child poverty, including specific measures to encourage the attendance of children with disadvantaged backgrounds. For this reason protection systems shall be adapted, placing emphasis on child protection and the protection of families with young children’;

44. Principle 19(a) (Chapter III) should read: ‘Access to social housing or housing assistance shall be provided primarily for disadvantaged or socially vulnerable people including the homeless and for those living in accommodation that is harmful to their health, unsuitable or overcrowded. Substandard social housing shall be abolished. Vulnerable persons who are not given alternative accommodation shall be protected from eviction.’ (1) As set out in previous opinions, the CoR proposes a broadening of the definition of social housing in order to reflect the Member States’ discretion in planning, delivering, financing and organising the construction of social housing, guarantee the democratic right to choose, and give priority to the right to adequate and affordable accommodation because of the inability of the current housing markets to meet accommodation needs. (2) Concerning evictions, they should not be prohibited per se as this would run counter to the right to property and the subsidiarity principle. The protection against evictions should therefore be limited to vulnerable persons and be complemented by the requirement of the provision of alternative accommodation. (3) Lower- and middle-income households should have no legal right to aid towards home ownership — as is also the case in the EU Charter of Fundamental Rights — especially since the economic and social usefulness of this depends on global, national, regional and local contexts as well as on policy priorities, which should be set at national, regional or local level, in accordance with the subsidiarity principle;

45. Principle 20(a) (Chapter III) should read: ‘Affordable access to essential services of general economic interest, including electronic communications, energy, transport, and financial services, shall be ensured for all people. Measures to facilitate access to these services shall be supported’. The concept of ‘essential services’ is not a component of European primary or secondary law, unlike services of general economic interest (see also Article 36 of the EU Charter of Fundamental Rights). Additionally, access to such services should be improved more generally, not just for those in need.

Brussels, 11 October 2016.

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

Opinion of the European Committee of the Regions — Review of the European Neighbourhood Policy

(2017/C 088/13)

Rapporteur: Anne Quart (DE/PES) State Secretary for Europe and Consumer Protection, Ministry of Justice, European Affairs and Consumer Protection of the Land of Brandenburg

Reference document: JOIN(2015) 50 final

POLICY RECOMMENDATIONS

THE EUROPEAN COMMITTEE OF THE REGIONS

General comments

1. takes the view that promoting stability and prosperity in the EU neighbourhood should be a top priority for the EU's foreign and security policy, and calls for the potential of local and regional authorities (LRAs) to be drawn on in the design and implementation of EU external policy. The Committee of the Regions should play a significant role in building trust and in international cooperation at local and regional level;
2. notes that European Neighbourhood Policy (ENP) can only have an enduring impact if it brings practical benefits to the people of the EU Member States and of the ENP countries, and urges that this consideration be central when it comes implementing the new strategy;
3. notes that the ENP is above all a project of the Institutions of the European Union and of the governments of the Member States and the neighbouring countries. Stresses that the successful implementation of the programmes and projects has a considerable impact at regional and local level, both in EU Member States and in the third countries involved. Calls above all for cooperation at local and regional level and for interaction between countries' civil societies to be strengthened under the ENP and for adequate resources to be made available to enable this. LRAs and their associations must be involved in every phase of implementing the ENP — from programming to democratic control — and they should take part in the work of the Association Committees and Association Councils and be given permanent observer status;
4. calls for more specific projects to promote interpersonal contacts; believes it is essential to make more resources available for cross-border cooperation, partnerships between local authorities, and scientific, cultural and youth exchanges; reiterates its request that partners be included in Union programmes such as Erasmus; welcomes the Commission's prioritising of visa facilitation and its presentation of specific proposals for Ukraine and Georgia, and reaffirms its support for working on visa and mobility issues with those ENP partners that wish to do so, including visa liberation and facilitation dialogues;
5. reiterates the proposals contained in its opinion of 9 July 2015 on a *New European Neighbourhood Policy* and calls on the European Commission and the EEAS to take these into consideration when implementing the strategy;
6. notes that the armed conflicts, use of force, violations of territorial sovereignty, violations of human rights and of the principle of equal rights of peoples, terrorism, and serious destabilisation in many countries and regions in the EU neighbourhood have led to high rates of human loss, injuries, internally displaced people, forced migration and are hindering the development of lasting partnerships. Stresses the importance of abandoning geopolitical approaches and wishful thinking in favour of realistic objectives based on a realistic analysis and of organising cooperation between those partners who are genuinely interested in cooperating and who also have the capacity to achieve long-term objectives; insists that although it is necessary to make a distinction, a balance must be maintained between the eastern and the southern neighbourhood;

7. points out that a durable partnership can only be developed on the basis of equal rights and mutual benefit, and welcomes the Commission's particular focus on this consideration when reviewing the ENP; calls for the concept of an equal partnership with reciprocal responsibility to be put into practice for ENP partnership;

8. emphasises in particular the importance of not questioning the principle of consistently upholding human rights and the standards of the humanitarian provisions established by international law. In this regard, points out that the conflicts that have shaken many ENP partners pose new challenges in terms of refugee protection, respect for international humanitarian law and the need to adopt new approaches to guarantee the integration of new and more effective instruments which aim to ensure full compliance with European and international standards on refugee protection. Moreover, stresses that the upcoming negotiations on global migration pacts with many ENP partner countries should involve local authorities and ensure that migration policy and neighbourhood policy are more closely integrated to avoid contradictions and misalignments;

Stability of the EU and its neighbourhood

9. notes that the biggest source of Europe's influence on stability and prosperity in its neighbourhood is the attractiveness of the EU's socioeconomic model, the unity and solidarity between the EU Member States, sustainable development, democracy, and respect for human rights and democratic freedoms; the stability of the EU and adherence to its values and principles constitute the most important contribution to stabilisation of the neighbourhood;

10. calls for security threats to be analysed in all their complexity, starting with the causes of instability; underlines the need to tackle the socioeconomic root causes of the current security and migration challenges as a matter of priority, and welcomes the EU's commitment to engage with the ENP partners in implementing the UN sustainable development goals; calls for increased focus on promoting social rights, since sustainable economic and social development are crucial for a stable neighbourhood; stresses that job creation is the decisive issue for the future of most neighbourhood countries, and welcomes the specific focus on youth employability and on promoting small and medium-sized enterprises; emphasises that this requires a multilevel approach, from national to regional and local level as well as regional, subregional and cross-border cooperation; urges that sectoral cooperation programmes be designed in such a way that they can be implemented by LRAs;

11. welcomes that the European Commission has brought up a proposal for a New Partnership Framework with third countries and for a new European External Investment Plan aimed at tackling the root causes of migration by mobilising investment, stepping-up technical assistance and supporting economic and structural reforms to improve the business and broader policy environment; calls for the European regional and local authorities to be involved in this process;

12. expects that the new 'Migration Compacts' that the EU is negotiating with Jordan and Lebanon in the framework of the Communication on 'Establishing a New Partnership Framework' of 7 June 2016 find a good equilibrium between the needs of the refugees, the needs and circumstances of these countries and the expectations of the EU and its Member States while respecting the human rights and standards of the humanitarian provisions established by international law;

13. renews its commitment to the Tunisian people and calls for a genuine deep and comprehensive partnership between the EU and Tunisia; stresses that the continuation of its peaceful and democratic development towards economic and security stability would send a very positive signal to the whole ENP countries; underlines the need for a substantial increase in EU aid to Tunisia to support the consolidation of the democratic transition and foster investment and development in all sectors of the economy and society, in particular employment creation and maintaining quality public services that are accessible to everyone; notes the launch of negotiations on an ambitious free trade agreement (DCFTA) between the EU and Tunisia and calls on the Commission to take a holistic approach ensuring that this agreement will be mutually beneficial while taking proper account of the significant economic disparities between the two parties;

14. calls for LRAs in both the EU and the ENP countries to be given support as a matter of priority in providing refugees with adequate basic services instead of externalising refugees to third countries, and in the longer term in efforts involving those people to achieving sustainable social and economic development for their municipalities and regions of origin; points out that refugees coming from the neighbourhood countries to Europe could in future be a bridge between the EU and its neighbours;

15. in view of religious radicalisation, nationalism, extremism and terrorism, advocates developing strategies and providing adequate instruments to foster intercultural dialogue within the EU and with the societies of its neighbours, stressing the responsibility and potential of LRAs in this area, we need this dialogue between politicians, but also between civil society and, especially, between citizens;

16. notes that good-neighbourly relations with the European Neighbourhood countries and their neighbours are essential for stability in Europe. Notes that economic cooperation and political dialogue between the EU and the Russian Federation are of particular importance; points out that normalising economic and political relations with Russia is dependent on the full implementation of the Minsk Agreement; and notes that at the subnational level and between civil society and business stakeholders cooperation and dialogue have continued and that this potential should be better harnessed to overcome differences;

Differentiation and regional cooperation

17. notes that cooperation with the EU should not lead to competition between the neighbourhood countries for the best relations with the EU but to regional and territorial cooperation, and stresses that the multilateral dimension of the ENP is indispensable. The complex challenges in relation to stabilisation in the neighbourhood can only be met if all partners in a given region cooperate systematically; greater commitment is required from the EU to stimulate the multilateral approach of neighbourhood policy and to give LRAs a central role in this process;

18. draws attention to the engagement and the potential of the Committee of the Regions in relation to regional cooperation — especially through the Euro-Mediterranean Regional and Local Assembly (ARLEM), the Conference of Regional and Local Authorities for the Eastern Partnership (CORLEAP), and the Ukraine Task Force — and calls on the Commission and the EU delegations to make better use of the expertise provided by these three bodies;

19. notes that in the expectation of long-term benefits for their democratic and economic development, Georgia, Moldova and Ukraine have decided in favour of very close relations with the EU by signing association agreements; is concerned about the social costs of reform processes, which could jeopardise public acceptance of approximation, and calls on the EU to work even closer with the countries concerned to find ways of managing this challenge; underlines the importance of these countries' decentralisation reforms when it comes to implementing the agreements and urges that priority be given to promoting the democratisation processes at local and regional level;

20. calls for strategies to avoid a situation in which countries have to decide between closer cooperation with the EU or with other partners, and welcomes the new avenues explored in the latest agreements between the EU and Armenia to allow close cooperation with the EU without undermining other international obligations; this experience should also be drawn on in the development of relations with Belarus and Azerbaijan;

21. calls for subregional strategies that meet the very different challenges and situations in the southern neighbourhood, notably in the form of strategies respectively for the Adriatic-Ionian region, the western Mediterranean and the eastern Mediterranean;

22. urges the High Representative and the Commission to present a specific strategy for involving the neighbours of the neighbours in the ENP countries, notably with the Russian Federation, in order to dynamise this approach;

23. notes that partnership begins in border regions, and calls on the Commission to recognise its role and support the growing cross-border cooperation between LRAs in the neighbourhood countries and thus set an example for other ENP countries; calls for a longer-term, comprehensive plan to be drawn up going beyond the current financial framework; in this respect calls for implementing the use of EGTCs between EU and neighbourhood regions, as well as a swift agreement on the harmonised use of EU funds between Interreg Europe and the European Neighbourhood Instrument to be drawn up for developing all the EU regions bordering on ENP countries;

Responsibility and focus on citizens

24. notes that local and regional responsibility is essential for a successful ENP and that EU policies and measures, as well as financing, must be determined in the light of regional needs. A comprehensive approach must be adopted which benefits all sections of society and supports regional development. The role of LRAs in bilateral action plans should be strengthened, especially those on borders, which means strengthening the rights and responsibilities of LRAs, as well as making adequate financial resources available that the LRAs can draw on;

25. observes that understanding of the EU and the agreements between it and the ENP countries is still limited at local level and among the general public, and calls on the Commission to work together with the EU delegations to substantially increase the visibility of the cooperation programmes at regional and local level, to ensure that local and regional players are better informed and better trained, in particular via training programmes for teachers and the exchange of educational materials, and to strengthen capacity-building at subnational level for using the ENP programmes;

26. believes it is essential to strengthen young people's interest and participation among women as key factors in the neighbourhood countries' development;

27. calls for more specific projects at local level that produce tangible results and have positive effects on the daily lives of ordinary people;

Good governance, rule of law, and respect for human rights and civic freedoms

28. notes that good governance, the rule of law, democracy, and respect for human rights and democratic freedoms are fundamental for stability; points out that the societies of the EU neighbourhood have different historical experiences and conditions, and that democratic and human rights standards can neither be imposed from outside nor imposed from above, but have to develop from the ground up; emphasises the role of LRAs in entrenching democracy and the rule of law in society; underlines that these basic values are the fundamentals for the ENP, which cannot be compromised; highlights the need to include more effective institutional mechanisms in the partnership agreements that are capable of monitoring partners' compliance with these principles;

29. points out that administrative capacity needs to be improved in most of the neighbourhood countries, and affirms the readiness of the CoR and its members and the local authorities concerned, as well as their national associations, to be involved in the programmes to build administrative capacity in the neighbourhood countries, calling on the Commission to provide the necessary administrative and financial resources; urges that more support be provided for decentralising reforms in the neighbourhood countries, and recommends agreeing on sectoral pilot projects whose implementation would be the responsibility of local and regional authorities so that experience can be gained with decentralisation processes;

30. calls on the Commission to develop projects for local and regional elected representatives and local administrations under which exchanges of experience can be organised with LRAs in the EU; urges that more support be given to national associations of LRAs so as to promote exchanges of experience between LRAs within the ENP countries; is in favour of significantly expanding town twinning programmes and the Technical Assistance and Information Exchange (TAIEX) instrument, as well as the Twinning programme; and asks the Commission to provide not just adequate political, but also adequate financial, support for activities led by the CoR and developed through ARLEM, CORLEAP and Task Force Ukraine;

31. reaffirms its request that the European External Action Service as a practical measure appoint a contact partner for LRAs in each of the sixteen Commission delegations in the ENP countries;

Energy cooperation

32. notes that close cooperation on energy issues is a significant component of the EU's relations with its neighbours, many of them being significant suppliers of energy to the EU Member States; believes that the EU can reduce its dependency on external suppliers and sources by improving energy efficiency at all stages of the energy chain maximising its use of renewable and other indigenous sources of energy and giving preference to fuels and technologies that are environmentally sustainable. In this way, it will also contribute to achieving the COP 21 targets as agreed in Paris; stresses that energy cooperation between the EU and its neighbours should include above all projects to develop energy infrastructure and energy efficiency;

33. points out that the Covenant of Mayors for Climate and Energy can be one of the platforms for cooperation in this field, in that context offers the expertise and know-how of the CoR Covenant of Mayors Ambassadors to implement the climate and energy objectives in the ENP countries;

34. recognises states' right to decide on their energy supply; calls for local and regional authorities' and citizens' positions on this to be consistently taken into account, and points out that there has been huge resistance in many EU localities against gas and oil extraction by hydraulic fracturing, and calls for energy cooperation with the ENP countries to include adherence to the highest EU environmental standards in gas and oil drilling and processing;

35. calls for energy interconnectivity to be improved not only within the EU, but also between the EU and its neighbours and those neighbours' neighbours;

36. is concerned at the massive increases in energy prices seen in some ENP countries and calls for the Commission to translate its commitment to promoting affordable energy into practical strategies to support populations affected by energy poverty in the ENP countries;

37. strongly believes that new energy projects should focus on energy diversification and should not undermine the status of ENP countries as transit countries;

Building synergies

38. recommends improving the sharing of experiences of cooperation with both the eastern and the southern neighbourhood, and welcomes the engagement of the ARLEM, CORLEAP and Task Force Ukraine members in this regard;

39. calls for closer coordination between the ENP and the programmes developed by the EU in order to ease the refugee situation in the neighbourhood countries;

40. welcomes that the Global Strategy for the European Union's Foreign And Security Policy acknowledges the role of the regions as 'representing critical spaces of governance in a de-centred world' and pledges to 'promote and support cooperative regional orders worldwide'; calls for the HR and the EEAS to consider and make use of the experience gained by LRAs;

Financial resources

41. emphasises that the funding provided through the European Neighbourhood Instrument is not commensurate with the political ambitions and the challenges in the EU neighbourhood, and regrets that the ENP review did not result in a recommendation to increase the financial resources;

42. observes that the EU is currently facing more crises than ever before, in particular the refugee crisis, natural disasters and armed conflicts, which have created a risk to key values. These crises were not yet anticipated at the time the 2014-2020 Multiannual Financial Framework (MFF) was finalised, and the Commission is asked to present a proposal for a revision of the MFF with a view to raising the ceilings under this heading 4 as well as heading 3, so as to substantially increase ENP resources, inter alia, in order to address the migration and refugee crises and ensure the reception and integration of migrants, for which regional and local authorities are mainly responsible. The new MFF provides an opportunity to step up the resources earmarked for implementing the priorities of the European Agenda on Migration also in its external dimension;

43. calls for the practice of concentrating ENP financial resources on cooperation with the national level to be gradually reduced, and for percentages that are as appropriate as possible to each country's situation to be laid down for financing projects at subnational level. EU financial resources must be adapted to target the needs of local and regional stakeholders, including by supporting small-scale projects and organising co-financing in a flexible way. The Commission should 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. The way in which financial resources are used must be carefully monitored, including by civil society.

Brussels, 11 October 2016.

*The President
of the European Committee of the Regions*

Markku MARKKULA

Opinion of the European Committee of the Regions — Aviation Strategy

(2017/C 088/14)

Rapporteur: Ulrika Carlefall Landergren (SE/ALDE), Member of Kungsbacka Municipal Council**Reference documents:** Communication on 'An Aviation Strategy for Europe'

COM(2015) 598 final;

Staff Working Document accompanying the Communication on 'An Aviation Strategy for Europe'

SWD (2015) 261 final;

Proposal for a Regulation on common rules in the field of civil aviation and establishing a European Union Aviation Safety Agency and repealing Regulation (EC) No 216/2008

COM(2015) 613 final

POLICY RECOMMENDATIONS

THE EUROPEAN COMMITTEE OF THE REGIONS

1. shares the Commission's assessment of the aviation sector's importance for economic growth, jobs, trade and mobility both within and outside the European Union. The aviation sector itself is a significant economic activity that generates a large number of jobs;
2. would also underline the social significance of the aviation sector, as well as its great importance for territorial cohesion, not least because it can give peripheral and sparsely populated regions, including islands and outermost regions, access to larger common markets and cultural exchange. The Committee of the Regions considers a competitive European aviation sector that is sustainable in the long term as essential for development at both local and regional level;
3. like the Commission, also sees the need for an overall aviation strategy in view of the structural changes that have taken place in the international aviation market in recent years, and supports the aim of the strategy, namely to support the mobility of EU citizens, to strengthen competitiveness and to achieve ecological, economic and social sustainability throughout the value chain for the EU aviation sector;
4. draws attention to the fact that the local and regional authorities have a crucial role to play in the development of airports and of aviation, by virtue of their responsibility for the population's quality of life, environmental conditions, and the spatial and physical planning involved. Continued sustainable development of aviation in Europe, with more efficient use and expansion of airport capacity, requires open, transparent and trusting collaboration between local and regional authorities and representatives of the aviation sector and airports in the context of spatial planning. This is an essential condition for obtaining the level of acceptance required to strengthen competition and put the European aviation sector in a leading position;
5. against this background, finds it very regrettable that the local and regional levels and their authorities are not mentioned at all when describing the need for joint effort and collaboration. The territorial and spatial perspectives are also missing, as well as awareness of the local and regional environmental impact, which is a prerequisite for long-term aviation development. Representatives of the aviation sector are aware of this, but this is not expressed in the strategy;

Development of the aviation market

6. takes the view that the liberalisation of the European aviation market over the last 20 years has been a benefit for the regions and the public, and supports the proposed measures for developing the aviation market, including negotiations on a comprehensive aviation agreement with a number of countries and regions at EU level, as well as negotiations on competition rules, these being measures that could contribute to the continued liberalisation of aviation and guarantee a level playing field for fair competition in the aviation sector. The comprehensive aviation agreements that are negotiated must include respect for fundamental ILO conventions;

7. while noting the impact of liberalisation on the EU aviation landscape, also points to the main new challenges it faces, namely the need to: promote balanced territorial development, ensure that existing and newly created jobs comply with European standards, and apply State aid rules;

Capacity in the air and in the market inadequate?

8. with regard to capacity in the air, finds that the picture painted by dialogue with players in the market is that there is not actually any lack of airspace capacity and that average delays are very modest. On the other hand, there is considerable potential to increase efficiency and environmental performance and to limit costs by implementing the Single European Sky and the results from SESAR, among other things through common standards that can contribute to opening up the market for air-traffic management services. Efficient, well integrated air-traffic management is beneficial to the regions and of regional interest, not least for peripheral regions with small airports. Remote air-traffic management provides an example of how new technology can enable more efficient operation of small regional airports;

9. supports the proposal to develop strategic planning for the management of airport capacity at EU level in a situation where there are shortages at a number of large airports, while at the same time a large number of airports are underused. Because there is over-capacity on the whole, it makes sense to ensure effective use of infrastructure that is already in place, with an obvious impact on the environment. Such planning at the national and regional levels must be based on the territorial dimension. One key question is how existing airport capacity could be used in the best way. The strategy highlights the differences in connectivity that exist between various regions, which are not always explained by differences in the underlying circumstances and demand or conditions on the supply side. These differences result in considerable competitive disadvantages for certain regions, as well as poorer, more uneven exploitation of the overall potential, and they also act against territorial cohesion. The starting-point should be to provide reasonable regional connectivity for all European regions, while avoiding duplication of unprofitable airports, as well as distortion of competition in cases where the basis for a functioning market exists;

10. welcomes the fact that the Commission will continue to work with the airport observatory to monitor trends in both intra-EU and extra-EU connectivity in Europe and to identify any shortcomings and the appropriate measures to be taken. A coordinated, ongoing analysis of the regions' connectivity in relation to estimated demand, showing which regions are under-served together with information about existing airport capacity, should be a valuable basis for planning the exploitation and development of airport capacity. The attractiveness of underused airports could be influenced through planning measures that improve accessibility and extend the catchment area. The Committee of the Regions considers it essential for such planning to consider both passenger and cargo transport from an inter-modal perspective, and to pay attention to economic, social and environmental consequences;

11. notes that, in the strategy, the Commission invites the Council and the European Parliament to adopt quickly the proposal to revise the Slot Regulation that the Commission submitted in 2011. The Committee of the Regions considers that regional connectivity should be given a clearer priority than was the case when the revision proposal was published, and also considers that the proposal to revise the Slot Regulation should be re-written so that it addresses the prioritisation of regional connectivity more effectively;

Air cargo

12. points out that cargo is a significant part of the aviation sector, but the aviation strategy does not draw any attention to it whatsoever. Air cargo is an important part of goods transport and logistics that affects regions' development opportunities, above all in outermost regions, and it is a significant matter in terms of regional planning. It is important for air cargo to be given due consideration in planning with an inter-modal logistics perspective. The Committee of the Regions is of the view that a cohesive aviation strategy for the EU must pay attention to air cargo with regard to airport capacity, inter-modality and logistics networks, and also the particular noise problems that can arise from traffic late in the evening, during the night and early in the morning;

Connectivity

13. notes that the conditions for a region's development largely depend on the quality of its international connectivity. From the regional perspective, good connectivity is the primary benefit that the aviation sector is expected to deliver. The Committee of the Regions is therefore of the view that being able to work towards strengthening and developing the regions' connectivity through route development is a legitimate interest for the regions. In the case of airports in outermost regions, air connectivity is a necessity in view of their geographical location and the absence of other alternative forms of transport. This could involve incentives for establishing new direct destinations and destination marketing. Transparency is required in order to ensure that competition is not distorted and credibility is not lost;

14. at the same time, highlights the fact that it is the integrated, inter-modal transport system that gives the regions their connectivity. Aviation is of decisive importance for long-distance connections and for continental and inter-continental connectivity, but door-to-door journeys and the social benefits are determined by how well aviation interacts with other modes of transport in a cohesive transport system. In this context, attention should also be paid to the need for those who work at, or in connection with, airports to have public transport that is adapted to their commuting, which largely takes place outside normal working hours;

Airport charges as a control instrument

15. underlines the importance of transparency and dialogue between airports and airlines when determining airport charges. The Committee of the Regions would also like the EU aviation strategy to include a call for coordinated use of the option of linking airport charges to the environment with regard to noise and air quality. The broad, coordinated application of environment-linked airport charges should have a considerable steering effect and it could be one of a number of incentives that, coupled with economic instruments to reduce fuel consumption and the impact on the climate, could contribute to faster renewal of the aircraft fleet, which is important for climate and environmental reasons. The Committee of the Regions would also like the question of incentives for faster renewal of the aircraft fleet with a view to reducing the impact of aviation on the climate and environment to be given general consideration in the strategy;

Support for under-served regions

16. regrets the fact that the Commission has not highlighted the role of regional airports and their importance for aviation development in the strategy. The balanced approach which the Commission intends to adopt under the Guidelines on State aid to airports and airlines (OJ C 99, 4.4.2014, p. 3) should take account of the need for regional development and connectivity for all Europe's regions, especially sparsely populated, peripheral and outermost regions, where there is an obvious risk of regional needs not being met by the market. The Committee of the Regions underlines the fact that the public service obligation is a very important matter from the regional perspective. It must also be considered that regional airports need to be able to receive support in sustainably maintaining their financial break-even point over the long term. Air connections to national economic and administrative centres and to hub airports for onward transport to the wider world are crucial for the long-term survival of outermost, peripheral and sparsely populated regions, as well as regions currently affected by poor connectivity for other reasons. In many cases, the creation of reasonable development conditions for these regions requires investment and operational contributions to airports in addition to publicly procured transport, as well as the safeguarding of take-off and landing slots at peak times at the hub airports that enable onward transfers to other destinations in Europe and other continents. This is crucial for territorial cohesion in the EU, and the Committee of the Regions is of the view that this must be made clear in the aviation strategy. The Committee of the Regions reaffirms the view it has previously expressed that the Commission should focus on large airports and that state aid measures for small airports with average traffic not exceeding 300 000 passengers per annum should not fall within the scope of State aid given that these airports can have no notable impact on trade between Member States, that they are unable for structural reasons to cover their capital and operating costs⁽¹⁾ and that public support is intended for the development of a safe and economically viable air traffic infrastructure in regions with poor transport connections⁽²⁾. This should, of course, go hand in hand with a significant increase in the exemption threshold for aid to airports providing SGEIs (currently set at

⁽¹⁾ CoR opinion on EU guidelines on State aid to airports and airlines, 28 November 2013, COTER-V-043 (OJ C 114, 15.4.2014, p. 11).

⁽²⁾ See European Commission decision on Angoulême airport, 23 July 2014: http://europa.eu/rapid/press-release_MEMO-14-498_en.htm

200 000 passengers per annum), restoring the threshold of 1 million passengers per annum which was in place before the adoption of the Almunia package on SGEIs. The prerequisite for such action must nevertheless be that a reasonable level of connectivity cannot be achieved by any other means;

17. considers that the application of State-aid rules, in particular the 2014 Guidelines on State aid to airports and airlines, in combination with the EU's rules governing services of general economic interest are perceived as complicated and that this results in uncertainty with regard to how local and regional authorities can provide economic support to regional airports. The Commission's handling of such matters is considered to take a very long time and consequently the authorisation procedure should be clarified and streamlined. If handling is uncertain and behind schedule, this risks making it harder to provide important support for maintaining reasonable connectivity for small, peripheral and outermost regions and may have a negative impact on economic development in those regions;

18. in relation to the revision of the General Block Exemption Regulation (GBER) ⁽³⁾ which aims at exempting state aid for airport infrastructure from the notification requirement, the CoR explicitly supports the European Commission's approach to investment aid for regional airports, whereby: 'It is not appropriate to establish a notification threshold in terms of the amount of aid since the competitive impact of an aid measure depends mainly on the size of the airport and not on the size of the investment.' The CoR also trusts that the European Commission will ensure alignment with existing EU law in relation to the 'Definitions for aid for regional airports';

Research and innovation

19. welcomes the fact that the strategy highlights the importance of research, development and innovation for maintaining Europe's leadership in the aviation sector and the aeronautical industry. The Committee of the Regions highlights the role of the regions, not least within the framework of their responsibility for regional development work in collaboration with the public sector, the private sector and the academic world for research, development and innovation. Research and development that contribute to limiting the environmental impact of aviation are of particular interest for local and regional authorities. The development of fossil-free, cost-effective aviation fuels is one example of an important area of research;

Drones

20. sees great potential for the use of drones at local and regional level, not least in more sparsely populated parts of Europe, and it supports the ambition of putting Europe in a leading position in the development of drone technology and use. Drones have considerable development potential in the area of agriculture, for example, where they can contribute to increased efficiency in the long term. The scope and number of various drone-based services are expected to experience strong growth, to the benefit of business and citizens alike, but at the same time the increased use of drones means that attention and consideration must be given to questions relating to safety in airspace and on the ground, protection of privacy, liability, regulation of the use of the radio spectrum, and acceptance by the general public. Against this background, the Committee of the Regions has carried out a Territorial Impact Assessment on drones. The Committee of the Regions would like to see basic risk-based, harmonised regulation of all drone use at EU level, in line with the principle of subsidiarity, and it underlines the need for dialogue between EASA, which has the task of developing such fundamental regulation, and relevant players at national, regional and local level within the Member States. Drone technology will give aviation a different kind of local and regional proliferation than previously, and the spatial dimension must be considered in the context of legislation and regulation. The general harmonised regulation on drones should also include rules on certification and type-approval covering training and qualifications for handling and maintaining drones, thereby ensuring freedom of movement for these professionals and freedom to establish companies in any part of the European Union;

Climate, the environment, and inter-modality social planning for sustainable development

21. finds it strange that the issue of climate, which is one of the very greatest common challenges for the future, has been given such summary treatment in the strategy. In this respect, points out that the fragmentation of the European sky

⁽³⁾ http://ec.europa.eu/competition/consultations/2016_gber_review/index_en.html

and the lack of global mitigation action as major factors in holding back the reduction of carbon-dioxide emissions have to be addressed. Working through ICAO to achieve a global mechanism for limiting the impact of the aviation sector on the climate is good and it is important, but it must not prevent us in Europe from having a higher level of ambition than the floor set by ICAO, in line with the goal of high environmental standards being maintained and strengthened over time, as set out in the strategy. Special consideration should be given to mitigating any accessibility and competitiveness problems arising for regions of article 349 TFEU;

22. regrets that the aviation industry (together with shipping) were left out of last year's Paris climate agreement. While recalling that flights within the EU are already subject to the Union's Emissions Trading Scheme (ETS), strongly encourages the application of such a mechanism beyond the EU to cap carbon dioxide emissions. For this reason the CoR strongly encourages the ICAO to move a step forward on this issue during the upcoming 39th Assembly;

23. highlights the fact that, with regard to the impact on the climate, all players have a common responsibility, and it is important to have a holistic perspective and not merely to focus on the impact of air transport on the climate. Ground transport and airport activities account for a considerable proportion of total carbon-dioxide emissions at the local and regional levels, at up to 50 %. Collaboration between local and regional authorities, the private sector and airports on developing climate-smart inter-modal transport solutions is an example of an initiative that could make a palpable contribution to reducing the impact on the climate. Many airports are working ambitiously on programmes contributing to a marked reduction in carbon-dioxide emissions from airports in Europe. The Committee of the Regions is of the view that the aviation strategy should give due consideration to local and regional authorities' responsibilities and potential for making an active contribution to limiting aviation-related carbon-dioxide emissions;

24. considers aviation noise to be the great challenge that must be tackled in order for European aviation to continue developing. The Committee of the Regions considers it noteworthy that this issue of decisive importance for aviation has been treated so inadequately. Aviation noise causes significant health problems and is detrimental to people's well-being. Due to their responsibility for citizens' health, safety and well-being, as well as spatial planning, local and regional authorities have a key role to play in managing the aviation noise around an airport and the conflicts of interest that result from it;

25. would also like to see a more comprehensive treatment of the other effects of aviation on the environment, predominantly emissions of nitrogen oxides and particles into the air. The strategy refers to the expected results from research and development projects such as Clean Sky and SESAR, and points out that an annual environmental report will allow the EU, Member States and industry to better track the environmental performance of the air-transport sector and monitor the effectiveness of different measures. The Committee of the Regions welcomes such a systematic, consistent and regular assessment of environmental performance. It is of great value to local and regional authorities for data on lower geographic levels to be made available;

26. is of the view that the Aviation Strategy should explicitly emphasise the pivotal role of the local and regional authorities and encourages the development of proper forms of cooperation between airport administrations and local and regional authorities. Examples of good practice should be identified to stimulate and support this kind of development;

27. takes the view that there are two fundamental approaches to environmental impact that must complement each other. The first of these is to limit emissions at source, and international standards and instruments are of great importance for this. The second is to limit local emissions and/or their impact through effective spatial planning and other measures at the local and regional levels in collaboration between local and regional authorities and representatives of the airports and the aviation sector. Nonetheless, the significance of planning at the local and regional levels and the key role of the local and regional authorities in this are not mentioned at all in the strategy, which is a major failing.

Brussels, 12 October 2016.

The President
of the European Committee of the Regions
Markku MARKKULA

Opinion of the European Committee of the Regions — the European deposit insurance scheme (EDIS)

(2017/C 088/15)

Rapporteur:	Hans-Jörg Duppré (DE/EPP), Head of the District Authority of Südwestpfalz
Reference document:	Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) No 806/2014 in order to establish a European Deposit Insurance Scheme COM(2015) 586 final

I. RECOMMENDATIONS FOR AMENDMENTS

Amendment 1

Recital 6

<i>Text proposed by the Commission</i>	<i>CoR amendment</i>
<p>The recent crisis has shown that the functioning of the internal market may be under threat and that there is an increasing risk of financial fragmentation. The failure of a bank that is relatively large compared to the national banking sector or the concurrent failure of a part of the national banking sector may cause national DGSs to be vulnerable to large local shocks, even with the additional funding mechanisms provided by Directive 2014/49/EU of the European Parliament and of the Council. This vulnerability of national DGSs to large local shocks can contribute to adverse feedback between banks and their national sovereign undermining the homogeneity of protection for deposits and contributing to a lack of confidence among depositors and resulting in market instability.</p>	<p>The recent crisis has shown that the functioning of the internal market may be under threat and that there is an increasing risk of financial fragmentation. The failure of a bank that is relatively large compared to the national banking sector or the concurrent failure of a part of the national banking sector may cause national DGSs to be vulnerable to large local shocks, even with the additional funding mechanisms provided by Directive 2014/49/EU of the European Parliament and of the Council, unless the national DGSs to be created pursuant to that directive are established in full and adequately secured in financial terms. This vulnerability of national DGSs to large local shocks can contribute to adverse feedback between banks and their national sovereign undermining the homogeneity of protection for deposits and contributing to a lack of confidence among depositors and resulting in market instability.</p>

Reason

The amendment serves to clarify that the national deposit guarantee schemes that are to be implemented in national law pursuant to Directive 2014/49/EU will be particularly vulnerable if they are not fully implemented and if the national funds are not provided with sufficient resources.

Amendment 2

Recital 8

<i>Text proposed by the Commission</i>	<i>CoR amendment</i>
<p>Although Directive 2014/49/EU significantly improves the capacity of national schemes to compensate depositors, more efficient deposit guarantee arrangements are needed at the level of the Banking Union to ensure sufficient financial means to underpin the confidence of all depositors and thereby safeguard financial stability. EDIS would increase the resilience of the Banking Union against future crises by sharing risk more widely and would offer equal protection for insured depositors, supporting the proper functioning of the internal market.</p>	<p>Although Directive 2014/49/EU significantly improves the capacity of national schemes to compensate depositors, more efficient deposit guarantee arrangements may be needed at the level of the Banking Union to ensure sufficient financial means to underpin the confidence of all depositors and thereby safeguard financial stability. A functional EDIS would increase the resilience of the Banking Union against future crises by sharing risk more widely and would offer equal protection for insured depositors, supporting the proper functioning of the internal market. However, this requires all Member States to have established the same conditions by implementing Directive 2014/49/EU, which the European Commission will confirm in an evaluation, in the form of a report, by 31 December 2016. In line with its ‘Better Regulation’ guidelines, the Commission will also perform an impact assessment on the submitted proposal by the same date, which will include, inter alia, aspects relating to institutional protection.</p>

Reason

Article 19(5) of Directive 2014/49/EU provides that, by 2019, the European Commission shall submit a report on the operation of national DGSs in a European scheme. As the present proposal for a Regulation was submitted prior to publication of the Commission's report, and is directly based on functional national guarantee schemes, the report should be submitted this year in order to ensure that the discussions can be based on the real situation. The same applies to the impact assessment that is to be carried out.

Amendment 3

Recital 15

<i>Text proposed by the Commission</i>	<i>CoR amendment</i>
<p>In order to ensure a level playing field within the internal market as a whole, this Regulation is consistent with Directive 2014/49/EU. It complements the rules and principles of that Directive to ensure the proper functioning of EDIS and that appropriate funding is available to the latter. The material law on deposit guarantee to be applied within the EDIS framework will therefore be consistent with the one applicable by the national DGSs or designated authorities of the non-participating Member States, harmonised through the Directive 2014/49/EU.</p>	<p>In order to ensure a level playing field within the internal market as a whole, this Regulation is consistent with Directive 2014/49/EU. It complements the rules and principles of that Directive to ensure the proper functioning of EDIS and that appropriate funding is available to the latter. It also takes particular account of the interdependence between a stable economy and the operations of local and regional banks, and of promotional banks. These institutions primarily provide financial support for promotional measures at local, regional and national level. The material law on deposit guarantee to be applied within the EDIS framework will therefore be consistent with the one applicable by the national DGSs or designated authorities of the non-participating Member States, harmonised through the Directive 2014/49/EU.</p>

Reason

The aim of the amendment is to ensure that the role of public banks is given appropriate consideration in the proposal.

Amendment 4

Article 1(3)

<i>Text proposed by the Commission</i>	<i>CoR amendment</i>
<p>Article 2 is replaced by the following:</p> <p><i>Article 2</i></p> <p>Scope</p> <p>1. For the purposes of the SRM, this Regulation shall apply to the following entities:</p> <p>(a) credit institutions established in a participating Member State;</p> <p>(b) parent undertakings, including financial holding companies and mixed financial holding companies, established in a participating Member State, where they are subject to consolidated supervision carried out by the ECB in accordance with Article 4(1)(g) of Regulation (EU) No 1024/2013;</p> <p>(c) investment firms and financial institutions established in a participating Member State, where they are covered by the consolidated supervision of the parent undertaking carried out by the ECB in accordance with Article 4(1)(g) of Regulation (EU) No 1024/2013.</p> <p>2. For the purposes of EDIS, this Regulation shall apply to the following entities:</p> <p>(a) participating deposit-guarantee schemes as defined in point (1) of Article 3(1a);</p> <p>(b) credit institutions affiliated to participating deposit-guarantee schemes.</p> <p>Where this Regulation creates rights or obligations for a participating DGS administered by a designated authority as defined in point (18) of Article 2(1) of Directive 2014/49/EU, the rights or obligations are deemed to be those of the designated authority.;</p>	<p>Article 2 is replaced by the following:</p> <p><i>Article 2</i></p> <p>Scope</p> <p>1. For the purposes of the SRM, this Regulation shall apply to the following entities:</p> <p>(a) credit institutions established in a participating Member State;</p> <p>(b) parent undertakings, including financial holding companies and mixed financial holding companies, established in a participating Member State, where they are subject to consolidated supervision carried out by the ECB in accordance with Article 4(1)(g) of Regulation (EU) No 1024/2013;</p> <p>(c) investment firms and financial institutions established in a participating Member State, where they are covered by the consolidated supervision of the parent undertaking carried out by the ECB in accordance with Article 4(1)(g) of Regulation (EU) No 1024/2013.</p> <p>2. For the purposes of EDIS, this Regulation shall apply to the following entities:</p> <p>(a) participating deposit-guarantee schemes as defined in point (1) of Article 3(1a);</p> <p>(b) credit institutions affiliated to participating deposit-guarantee schemes.</p> <p>3. For the purposes of EDIS, this Regulation shall however not apply to promotional banks as defined in Article 3(1)(16) (new).</p> <p>Where this Regulation creates rights or obligations for a participating DGS administered by a designated authority as defined in point (18) of Article 2(1) of Directive 2014/49/EU, the rights or obligations are deemed to be those of the designated authority.;</p>

Reason

Promotional banks are very different from normal banking models. Although they are refinanced on the capital market, their operations present a very low risk of insolvency due to the nature and extent of the available capital. They should therefore be excluded from the requirements concerning the deposit guarantee scheme.

Amendment 5

Article 1(4)

<i>Text proposed by the Commission</i>	<i>CoR amendment</i>
Article 3 is amended as follows:	Article 3 is amended as follows:
(a) in paragraph 1, the following points (55), (56) and (57) are added:	(a) in paragraph 1, the following points (16) (new) , (55), (56) and (57) are added:
	‘(16) (new) “promotional bank” means any undertaking or entity set up by a Member State, central or regional government, which grants promotional loans on a non-competitive, not for profit basis in order to promote that government’s public policy objectives, provided that that government has an obligation to protect the economic basis of the undertaking or entity and maintain its viability throughout its lifetime, or that at least 90 % of its original funding or the promotional loan it grants is directly or indirectly guaranteed by the Member State’s central or regional government;’
‘(55) “participating deposit-guarantee schemes” or “participating DGSs” means deposit guarantee schemes as defined in point (1) of Article 2(1) of Directive 2014/49/EU which are introduced and officially recognised in a participating Member State;	‘(55) “participating deposit-guarantee schemes” or “participating DGSs” means deposit guarantee schemes as defined in point (1) of Article 2(1) of Directive 2014/49/EU which are introduced and officially recognised in a participating Member State;
(56) “payout event” means the occurrence unavailable deposits as defined in point (8) of Article 2(1) of Directive 2014/49/EU in relation to a credit institution affiliated to a participating DGS;	(56) “payout event” means the occurrence unavailable deposits as defined in point (8) of Article 2(1) of Directive 2014/49/EU in relation to a credit institution affiliated to a participating DGS;
(57) “available financial means of the DIF” means cash, deposits and low-risk assets which can be liquidated within a period not exceeding that referred to in Article 8(1) of the Directive 2014/49/EU.’;	(57) “available financial means of the DIF” means cash, deposits and low-risk assets which can be liquidated within a period not exceeding that referred to in Article 8(1) of the Directive 2014/49/EU.’;

Reason

The definition in Section 1, Article 3(27) of Regulation (EU) 2015/63 should be used — it is preferable for the sake of uniformity, as it contains all the essential elements, and varying definitions of terms should be avoided in legislation.

Amendment 6

Article 74c(5)

Text proposed by the Commission	CoR amendment
<p>The Commission shall be empowered to adopt delegated acts in accordance with Article 93 in order to specify a risk-based method for the calculation of contributions in accordance with paragraph 2 of this Article.</p>	<p>The Commission shall submit proposals specifying a risk-based method for the calculation of contributions in accordance with paragraph 2 of this Article.</p>
<p>It shall adopt one delegated act specifying the method for the calculation of contributions payable to participating DGSs and, for the reinsurance period only, to the DIF. In this delegated act the calculation shall be based on the amount of covered deposits and the degree of risk incurred by each credit institution relative to all other credit institutions affiliated to the same participating DGS.</p>	<p>It shall propose a provision specifying the method for the calculation of contributions payable to participating DGSs and, for the reinsurance period only, to the DIF. The calculation shall be based on the amount of covered deposits and the degree of risk incurred by each credit institution relative to all other credit institutions affiliated to the same participating DGS. It shall also take account of the existence of additional voluntary national guarantee schemes.</p>
<p>It shall adopt a second delegated act specifying the method for the calculation of the contributions payable to the DIF as from the co-insurance period. In this second delegated act the calculation shall be based on the amount of covered deposits and the degree of risk incurred by each credit institution relative to all other credit institutions referred to in point (b) of Article 2(2). Both delegated acts shall include a calculation formula, specific indicators, risk classes for members, thresholds for risk weights assigned to specific risk classes, and other necessary elements. The degree of risk shall be assessed on the basis of the following criteria:</p>	<p>It shall propose a second provision specifying the method for the calculation of the contributions payable to the DIF as from the co-insurance period. The calculation shall be based on the amount of covered deposits and the degree of risk incurred by each credit institution relative to all other credit institutions referred to in point (b) of Article 2(2). Both delegated acts shall include a calculation formula, specific indicators, risk classes for members, thresholds for risk weights assigned to specific risk classes, and other necessary elements. The degree of risk shall be assessed on the basis of the following criteria:</p>
<p>(a) the level of loss-absorbing capacity of the institution;</p> <p>(b) the institution's ability to meet its short- and long-term obligations;</p> <p>(c) the stability and variety of the institutions sources of funding and its unencumbered highly liquid assets;</p> <p>(d) the quality of the institution's assets;</p> <p>(e) the institution's business model and management;</p> <p>(f) the degree to which the institution's assets are encumbered.</p>	<p>(a) the level of loss-absorbing capacity of the institution;</p> <p>(b) the institution's ability to meet its short- and long-term obligations;</p> <p>(c) the existence of a functional institutional protection scheme in accordance with Article 113(7) of Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms and Article 4 of Directive 2014/49/EU on deposit guarantee schemes;</p> <p>(d) the stability and variety of the institution's sources of funding and its unencumbered highly liquid assets;</p> <p>(e) the quality of the institution's assets;</p> <p>(f) the institution's business model and management;</p> <p>(g) the degree to which the institution's assets are encumbered.</p>

Reason

The amendments are intended firstly to adapt the calculation method for credit institutions that have voluntary guarantee schemes. It must be ensured that the incentive to maintain (supplementary) voluntary schemes is not undermined by a double obligation to pay. It should also be made clear that the calculation method should not be decided by the European Commission alone, but should be determined in a proper legislative procedure.

II. POLICY RECOMMENDATIONS

THE EUROPEAN COMMITTEE OF THE REGIONS

Preliminary remarks

1. acknowledges that the global economic crisis has led to increased public mistrust of large parts of the banking sector. High-risk speculation by certain large banks contributed significantly to the crisis, or, rather, was one of many reasons for the collapse of the financial system. The 'bail-outs' of systemically important banks were essential from an economic policy perspective, but led to significant public criticism of the fact that Member States were taking on the liability for the risks taken by primarily private financial institutions. It is therefore vital to ensure that the proposals in question for a European deposit insurance scheme strengthen public confidence in the European banking sector in all Member States equally;

2. stresses that there is a clear link between the economic stability of the Member States and the stability of the banks based in them. For this reason, the system of a European banking union cannot be viewed in isolation, but must always go hand in hand with economic governance measures at Member State level to create and safeguard economic stability. In some Member States, for example, national insolvency laws lead to excessively long procedures, resulting in considerable delays in obtaining enforceable titles. Such rules conflict with the aims of the Commission's proposals, as they make it difficult, or even impossible in practice, to resolve banks in the event of liability;

3. in this connection, welcomes the Commission's efforts with regard to banking union, which should restore public confidence. The banking and financial crisis has revealed weaknesses in the banking system that need to be systematically removed in the next stage. The Deposit Guarantee Scheme Directive (DGSD) from 2014 and the Bank Recovery and Resolution Directive (BRRD) have made significant contributions in this regard, but they have still not been transposed in all Member States. In this regard, it should also be noted that the proposal provides that the Member States should maintain the national DGSs that have already been set up alongside the common European fund, at least until full insurance has been achieved under EDIS;

4. recognises that making the transition from a system of guaranteeing deposits at national level to a European-level scheme is a considerable step; although risky, this process could guarantee the security of Europeans' deposits. This, however, requires that the Commission first carry out an impact assessment, that the DGS Directive be implemented in all Member States and that existing risks be minimised. Only in this way will it be possible, in addition to deposits being safeguarded by the system, for financial stability to be bolstered and the link between banks and sovereign debt further reduced;

5. takes the view that all Member States should implement the DGSD before consideration is given to implementing a European deposit insurance scheme. This is particularly relevant in view of the harmonised requirements for the funding of deposit guarantee schemes and the possibility of using funds (including preventive measures and institutional protection measures). Establishing a European deposit insurance scheme without first harmonising national guarantee schemes would mean that those Member States that have not yet transposed the DGSD would have no incentive to do so. EDIS must under no circumstances make stable and efficient funds liable for unstable systems without having some influence on how to manage these systems' risk. In this connection it should be pointed out that the DGSD itself provides for a report on the cooperation of national deposit guarantee schemes by 2019. A report of this kind would be a prerequisite for the introduction of an EDIS;

6. reiterates, in this context, the statements made in its opinion on the follow-up to the Five Presidents' Report: Completing Europe's Economic and Monetary Union;

7. notes that the banks in the Member States vary widely in terms of shape, size and working methods. There are also a variety of models for ownership structures, which in turn means that there can be significant differences in terms of strategic orientation, risks assumed and market operation;

8. takes the view that diversification of these models could be an advantage in times of crisis. The various national and regional peculiarities regularly require a strategy tailored specifically to the situation. In order not only to maintain, but also to increase, the competitiveness of the EU and its Member States, existing schemes that work well must be incorporated into a European deposit insurance scheme;

9. also takes the view that European banks also play a significant role for businesses within and outside the European Union and, as a foundation for a European economy, contribute to the functioning of the European internal market. It is an essential prerequisite for public and private investment in the Member States that businesses and the public fundamentally trust banks and financial institutions;

The role of public banks in the EU

10. recognises that, despite the devastating effects of the banking crisis on the European economy and institutions in various Member States, there were numerous cases in which people's assets were properly protected even in this situation;

11. stresses that, thanks to their objectives and local roots, local and regional public banks have retained public trust even during the banking and economic crisis;

12. confirms that municipal and regional banks are essentially not profit-driven but act in the general public interest. Like the promotional banks in the Member States, municipal and regional banks also work first and foremost to strengthen local people and businesses. In cooperation with local and regional authorities, they play a major role in building and maintaining basic infrastructure and in financing SMEs, micro-enterprises and start-ups;

13. points out that the activities of public banks are low-risk and are regulated at national and local level, which *a priori* prevents any build-up of risky operations or other risks associated with the activities of commercial banks. Public banks were in no way to blame for triggering the economic crisis. On the contrary, they often protected public-sector funding while the rest of the financial market almost completely seized up;

14. for this reason, stresses that the European Commission's proposals must not result in local and regional public banks being disadvantaged. The focus and working methods of this form of bank must not put them at a disadvantage compared to the big banks that operate across borders. The same applies to the public promotional banks, which are different from other financial institutions due to their objectives and their working methods. These differences should be taken into account when calculating the level of contributions;

15. notes that, in many cases, further-reaching national guarantee schemes such as institutional protection schemes may form a useful complement to simple deposit guarantees. A scheme like this that, in an emergency, protects not just people's assets but the institution as a whole by supporting the participating banks boosts both public confidence and the economy. In addition, such a system could also be used to minimise the impact on the markets due to restructuring;

16. specifically points out, in this connection, that the Commission's proposal must not lead to a situation where contributions to a European deposit insurance fund represent a considerable additional burden on institutes that belong to a functioning institutional protection scheme, calling the existence of these tried and tested institutional protection schemes into question;

More focus on the 'Better Regulation' guidelines

17. points out that, on 19 May 2015, the European Commission presented guidelines on a new system of better regulation. Under those guidelines, before a proposal is published the stakeholders concerned should be consulted in the form of a public consultation on possible elements of the proposal. However, this kind of public consultation — which plays a big part in legitimising any European, national or regional legislation — has not been held on the present EDIS proposal;

18. is critical of the fact that the justification presented does not fulfil the criteria required under Articles 2 and 5 of the subsidiarity protocol (Protocol No 2 to the Treaty on European Union), and no impact assessment was undertaken before the proposal was published. Impact assessments are an essential element of better regulation. Without a prior assessment of the economic, social and political consequences of a legislative proposal, there is a risk not only of significant costs, but also of undesirable knock-on effects. In addition, publishing the results of the relevant impact assessments makes a not insignificant contribution to improving legislative transparency;

19. therefore urges the European Commission to rectify the procedural omissions and to submit a justification in terms of subsidiarity before the proposal is discussed by the institutions involved in the legislative process. An examination of all the regulatory options and a comprehensive assessment of the proposal's impact will be required in order for the institutions involved in the procedure to achieve practicable results. Serious doubts exist as to whether the Commission's proposal is compatible with the principles of subsidiarity and proportionality;

20. points out, in this connection, that the Commission's proposal did not take account of institutional protection schemes. The consequences for Member States that have already put in place such schemes in connection with implementing the 2014 directive recasting deposit guarantee schemes are expected to be significant. In this context, the European Commission is invited to explain how such schemes will be handled under the new proposals;

21. calls for the actual quotas for calculating contributions to be included in the proposal itself, and not adopted by the Commission in the form of delegated acts. The calculation basis has a significant guiding effect on the financial institutions concerned and on the stability of the deposit guarantee schemes, and should therefore be determined with the involvement of the Council and the European Parliament;

An appropriate legal basis for a European deposit insurance scheme

22. is of the opinion that the legal basis used for such a proposal should not be Article 114 TFEU, but rather the clause in Article 352 TFEU on competence in cases not envisaged by the Treaty. Article 114 TFEU provides for measures for the approximation of the provisions laid down by law, regulation or administrative action to establish the internal market. It does not, however, give the European Union general legislative competence for the internal market, but merely serves to rectify shortcomings in the functioning of the internal market caused by differences in national rules;

23. considers that the proposal for a European deposit insurance scheme focuses primarily on financial stability as a basis for the European Union's economic and monetary policies, and therefore that the legal basis should be Article 352 TFEU;

European financial policy — asset protection as a priority

24. calls first and foremost for remaining risks to be eliminated from banks' balance sheets before a European deposit insurance scheme is established. The proposals that the European Commission has submitted so far in this regard are by no means sufficiently specific. From a logical point of view, however, a harmonised deposit insurance scheme requires specific risk mitigation measures, which should in any event be submitted by the Commission before the proposals are discussed further;

25. takes the view that there cannot be a 'one size fits all' solution, due to the differences in the way the banking sector is structured in the Member States. Instead, functional schemes should be retained and integrated into a European scheme. The proposal should not under any circumstances require the reorganisation of all schemes in the Member States, which would in turn entail significant costs and, in particular, engender significant uncertainty as to the functionality and security of the relevant requirements;

26. calls for a European banking policy that protects European Union citizens and their assets in full. Such a scheme must, above all, restore and maintain public trust in the functioning of financial systems and markets. A European deposit insurance scheme should not, on the other hand, result in high-risk speculation being encouraged or in any way supported. Instead, the priority should be to promote a sound financial policy involving institutional models that make sense from a macroeconomic perspective;

27. also believes that a European deposit insurance scheme must not end up disadvantaging financial institutions that operate conservatively. Banks that are primarily involved in high-risk transactions should, in addition to paying a larger contribution to the insurance scheme, also be subject to further requirements in order to avoid shifting liability to small institutions that operate primarily in low-risk areas or are only active in financing the real economy at local level;

28. criticises the fact that the Commission's proposal for a Regulation does not provide sufficiently detailed information on the practical use of the planned European deposit insurance scheme. For example, it is not clear whether, at what stage and to what extent the funds can be used for preventive or alternative measures. Simply guaranteeing deposits means that savers can be compensated for their assets, up to the amount covered by the guarantee, but does not prevent the liability from arising in the first place. The top priority, from an economic and political perspective, should be to avoid the liability arising.

Brussels, 12 October 2016.

*The President
of the European Committee of the Regions*

Markku MARKKULA

Opinion of the European Committee of the Regions — An EU action plan for the Circular Economy

(2017/C 088/16)

Rapporteur:	Babette Winter (DE/PES), State Secretary for Europe and Culture in the Thuringia State Chancellery
Reference document:	Communication from the Commission on ‘Closing the loop — An EU action plan for the Circular Economy’
	COM(2015) 614 final

POLICY RECOMMENDATIONS

THE EUROPEAN COMMITTEE OF THE REGIONS

General comments

1. welcomes the Commission’s efforts to establish — through a stronger, circular model which preserves the value of products, materials and resources within the life cycle — a sustainable, low-carbon, technologically-advanced, resource-saving and resource-efficient economy, generating lasting competitive advantages and jobs in Europe;
2. emphasises that if they are to achieve the objectives set, the measures must be framed the same way in all the Member States, so as to enable employment opportunities — in line with the Green Employment Initiative and the New Skills Agenda for Europe⁽¹⁾ — in the new employment niches brought about by the circular economy (eco-sustainable construction, waste management, etc.) to be created and workers to be trained according to demand. With support and proper training, many unemployed people could re-enter work and new job options could be opened up for the rest;
3. stresses that many problems which are triggered by production and consumption in the EU have an impact on other parts of the planet, particularly developing and emerging countries, and that positive consequences can be expected in those places, too, as a result of changing production and consumption. The CoR commits to fulfilling the EU’s resulting political, economic and social responsibilities and therefore recommends also against the backdrop of the UN agenda 2030 for sustainable development which entered into force on 1 January 2016, to focus on measures that ensure, at an international level, that the necessary measures to protect and conserve resources are also initiated outside the EU;
4. stresses that, in order to achieve the ambitious goal of a closed circular economy, political will is needed at every level so that the necessary measures can be taken. Those measures include the environmentally-friendly design of goods and services, preventing waste, recycling, recovering and reusing materials and components, and reducing harmful substances and reprocessing difficult substances in order to promote repairability, recyclability, upgradability and durability. Lasting changes to the public perception of this subject and to consumer behaviour are also needed as is the creation of a stable market for products and materials based on secondary raw materials;
5. supports the Council Conclusions on the EU action plan for the circular economy⁽²⁾ in their call for timely and ambitious implementation of the European Commission Circular Economy action plan, and in that the transition to a circular economy requires long-term commitment and action in a wide range of policy areas in the EU and at all levels of government in Member States, including active engagement of all levels of government with all the economic and social actors involved as well as citizens;

⁽¹⁾ COM(2014) 446 final, COM(2016) 381 final.

⁽²⁾ Conclusions of the Environment Council of 20 June 2016, http://www.consilium.europa.eu/en/meetings/env/2016/06/st10444_en16_pdf/

6. points out, in this regard, that waste management services are often performed as services of general economic interest within the meaning of Article 14 TFEU and that Protocol No 26 on services of general interest, among other things, provides local and regional authorities with a broad measure of discretion. This allows for the development and provision of optimal regional and local waste management solutions;

7. points out that effective cooperation between actors and sectors is crucial to the large-scale establishment of the circular economy. Joint product development, transparency via IT and exchange of information, joint data collection systems, sectorial standards, and the harmonisation of incentives and mediation mechanisms could be implemented by putting in place platforms and clusters in the various sectors where businesses and policy-makers work together;

8. takes the view that the circular economy strategy as a whole with a view to achieving a genuine paradigm shift must be based on striving for the best lifelong environmental solutions ('cradle-to-cradle'), namely those which are independent of the current set of individual legal provisions, strategies and instruments, the further development, adaptation or extension of which must help to pursue the overall objective;

9. is convinced that this can only succeed if, in addition to the short-term proposals put forward in the action plan, specific and realistic medium- and long-term goals are set, laying a firm foundation to enable all those involved to carry out the necessary planning and meet the infrastructure requirements;

10. recommends, therefore, that in the light of the protracted policy development and implementation processes, the period up to 2050⁽³⁾ be considered, setting objectives and intermediate actions for the period up to 2030;

11. takes the view that, as an important first step, a critical assessment must take place to determine where funding programmes, aid and regulatory measures are ineffective or even counterproductive, and which priority issues must be tackled within what time frame;

12. takes the view that research programmes, funding measures and voluntary instruments can only play a supporting role in fully tackling the challenges facing the EU, owing to their limited reach. An example of their low level of effectiveness is the EU environmental management system EMAS, which was set up 20 years ago and has been implemented by only around 4 000 businesses and non-commercial bodies with roughly 10 000 sites EU-wide. In contrast, around 30 million companies have forgone the instrument;

13. recommends ambitious legislative provisions, which should be accompanied by supporting measures. Innovative approaches should also be pursued to that end, for example Top-Runner⁽⁴⁾. As well as natural resources and the environment, this will primarily benefit consumers, who will enjoy lower costs in the long term, and the economy, which will have an advantage over competing economies with regard to innovation;

14. notes that a number of local and regional authorities (LRAs) have already put in place various initiatives to promote resource efficiency and the circular economy. The initiatives in question are good examples for others to follow. The Commission should support existing platforms for sharing experiences;

15. regrets that education and awareness-raising do not feature in the action plan and calls on the Commission to develop those aspects with the Member States, local and regional authorities and other partners, and to promote the development and exchange of knowledge and appropriate, tried and tested procedures in order to raise awareness; welcomes in this context the creation of specific specialisation modules in the relevant degree courses and appropriate training courses in close cooperation between businesses, research and the education sector;

⁽³⁾ European Parliament resolution of 9 July 2015 on 'Resource efficiency: moving towards a circular economy' (2014/2208(INI)).

⁽⁴⁾ CDR 140/2011.

Product design and production processes

16. notes that the Commission relies on existing strategies; specific measures are lacking in a number of areas as are, for example, uniform criteria for the application and implementation of these strategies. Meanwhile, the legislative proposals which have been announced on extended product responsibility ought to flesh out how producers should internalise the total cost of products along the entire value chain;

17. recommends that, in order for the overarching aims to be achieved and for consistency between all policy areas, procedures be incorporated into the monitoring of subsidy approvals to ensure that in future no funding is given to production sites or product developments which do not meet the ecodesign requirements;

18. stresses that a thorough revision of the ecodesign provisions is necessary⁽⁵⁾ and that the setting of product- and sector-specific ecodesign requirements should be examined;

19. calls in this respect on the European Commission to present as soon as possible an ambitious Ecodesign Working Plan implementing Directive 2009/125/EC (Ecodesign Directive) which was supposed to cover the period 2015-2017;

20. stresses that waste products and by-products from manufacturing can serve as secondary raw materials for other products and that there is still great potential in the sense of industrial symbiosis with a view to a genuine circular economy in this area, particularly with regard to small and medium-sized enterprises (SMEs), which are the economic backbone of many regions. In this respect, existing regulatory barriers for SMEs should be reduced as far as possible and kept to the minimum in new rules. For example, the measures mentioned in Article 5(2) and Article 6(2) of the Waste Framework Directive for setting criteria for declaring by-product and end-of-waste status should be put into effect;

21. recommends that the Commission and the Member States also draw up binding economic regulations on sustainable sourcing and cooperation along value chains if self-imposed commitments are not being fulfilled within a reasonable period of time and to an adequate extent. They should be doing so in consultation with regional and local authorities;

22. notes, irrespective of the low uptake of EMAS mentioned in Point 12, that, in principle, this instrument has great potential to identify and understand (inefficient and/or environmentally harmful) material flows in (production) processes, and therefore welcomes the fact that the Commission has considered improvements to this instrument to benefit businesses, in particular SMEs, in the action plan. Points out that EMAS is also the only management system that provides a really good way of reliably verifying such material flows thanks to its systemic transparency and scrutiny;

23. therefore recommends integrating EMAS much more firmly into other legislation and related enforcement than has been the case to date, as a voluntary tool for the reliable verification of supporting documents and data;

Consumption

24. stresses that consumer behaviour and social trends are more relevant to the problem of the ever-shorter usage cycles of products such as electronic devices and clothes than supposed and actual technical obsolescence;

25. emphasises, with this — primarily social and ethical — context in mind, that the Commission, the Member States and, in particular, LRAs, as the closest political level to citizens, should implement measures on education, further education and qualifications to significantly improve awareness and understanding, both among the public and in the economy, of the connections between sustainable and unsustainable consumption, waste reduction, conservation of resources and the environment, producer responsibility, and product design and advertising. Recommends that such issues be incorporated more into educational programmes and information campaigns;

⁽⁵⁾ CDR 4083/2014, European Parliament Resolution 2014/2208(INI).

26. recommends that the full spectrum of products' environmental effects be made transparent through appropriate labelling, drawing on the experience with existing labels. At the same time, the label should be simple and easy to understand and the information on the label should be transparent and verifiable;

27. considers that the product environmental footprint (PEF) is a suitable approach to that end, but points out that considerable efforts are still needed to develop its methodology and also that the PEF can only effectively counteract the multitude of labels and the subsequent lack of transparency when it is universally binding. To that end, it must be easily manageable for producers without this compromising its informative value or verifiability and must also take into account their competitiveness and the principle of proportionality. The creation of a European mark to build up a clear and positive reputation, opening doors to the circular economy, would help in this regard. A strategy for the mark and how to communicate it is needed, together with a plan to put the strategy into practice including, for example, improvement programmes and Europe-wide advertising campaigns;

28. calls on the Commission and the Member States, through a medium-term reform of tax systems, to tax the use of primary raw materials at a higher rate than the use of reusable secondary raw materials, substances and components, in order to significantly increase the incentive to reuse raw materials, substances and components which are already in economic circulation instead of using new primary raw materials. The VAT Directive may need to be revised so as not to prevent differentiation in VAT rates to this end. The Commission and the Member States, in cooperation with local and regional authorities, should do more to foster the use of secondary raw materials, secondary materials and components, including through the use of other appropriate economic tools;

29. recognises that Green Public Procurement (GPP) can be an important driver of the circular economy, owing to its large share of the gross domestic product. The CoR stresses that LRAs make up a very large proportion of EU-wide procurement and therefore play a key role in GPP. This gives the green economy the stimulus it needs in order to grow and opens up great potential for jobs, thus improving the implementation of the Green Action Plan for SMEs and the Green Employment Initiative ⁽⁶⁾;

30. notes that there is still no large-scale implementation of GPP, which has been promoted for many years, and therefore welcomes every Commission initiative which leads to a more efficient implementation of this procurement policy; highlights the fact that in public procurement it is important to look not only at the lowest price, but at the 'most economically advantageous tender'. This means more emphasis on buying solutions which have a lower total life cost, demonstrate strong technological performance and are more sustainable overall; such practices should be included in the regulations governing the structural funds, as this is a way of enhancing the entry into the market of secondary raw materials;

31. points out that, even if the EU Member States have implemented the new EU rules on public procurement ⁽⁷⁾, further opportunities for sustainable, competitive innovation-generating and transparent procurement exist, such as smarter rules and increasing use of electronic procedures; is of the view that businesses, particularly SMEs, should be made more aware of the new opportunities presented by the revised EU rules on public procurement;

32. calls on the Commission and the Member States to put forward guidelines and proposals to step up GPP use. The handbook 'Buying green! A handbook on green public procurement', produced by the Commission, is a suitable first step to that end also calls for a list to be established for this handbook that includes secondary raw materials eligible for GPP, as well as products produced using these materials, to be updated regularly;

33. calls with a view to future changes to the EU legal framework that entered into force in 2016 for the mandatory consideration of GPP in public procurement procedures if they are above the threshold for an EU-wide call for tender, and for projects which are financed with public funds. Green public procurement should be implemented as part of every EU funding programme so that the projects can serve as examples and incentives for the use of GPP;

⁽⁶⁾ COM(2014) 440 final, COM(2014) 446 final

⁽⁷⁾ Directives 2014/23/EU, 2014/24/EU, 2014/25/EU.

34. recommends in this respect, for the sake of consistency in EU legislation and in line with the previous recommendation, that the Directive on public procurement (2014/24/EU) be revised, so that sustainable, resource-efficient products and solutions are given preference as a matter of course in public procurement procedures, with mandatory justification if they are rejected; also recommends applying a form of monitoring that assesses and compares the costs of conventional, purely price-performance-profit-oriented procurement procedures with those of GPP across the entire value chain; recommends, furthermore, that systems for announcing procurement be developed to provide comparative data about different projects and their criteria if needed;

Waste disposal

35. supports the Commission's intention to work more closely together with the Member States so that EU waste legislation can be better implemented and stresses that LRAs have an important role to play in this area. The CoR therefore calls on the Commission to make sure that Member States closely involve LRAs in the necessary technical and fiscal measures and exchanges of good practices;

36. reiterates its call for the Commission and the Member States to promote the introduction of high-quality recycling, particularly in areas which are still less developed, and calls for economic instruments, such as the 'polluter pays' principle or landfill charges, and waste generation payment systems to be implemented more swiftly⁽⁸⁾;

37. points out that, given the differences that exist between the EU's regions and Member States in achievement of the targets laid down in current EU waste management legislation, it is very important to encourage cooperation and the dissemination of best practices in this area, so that the least performing Member States and regions can be helped to meet the ultimate goals; this applies especially to regions of low population density, island regions and the outermost regions, facing great population pressure and substantial distances to treatment facilities, given that in such areas, it is almost impossible to achieve the target of zero waste;

38. emphasises that consumers need to be much more involved in all waste disposal measures. To this end, local and regional authorities responsible for solid urban waste should provide transparent information on treatment processes and the monitoring of recycling for all materials, in order to involve consumers more closely in eliminating or recycling such materials;

39. stresses that a level playing field in the implementation of regulations on waste disposal is an important factor for the competitiveness of SMEs in the European internal market;

40. welcomes the Commission's plans to deal with the role of energy recovery from waste in energy and climate policy. The CoR stresses that the EU waste hierarchy to minimise the amount of waste and lifecycle thinking must be the basis for these plans and that the circular economy model, with high reuse and recycling quotas, must not be circumvented in favour of energy generation⁽⁹⁾;

41. also points out that treatment in high-efficiency thermal facilities (waste-to-energy) is useful for waste that cannot be avoided or recycled, particularly where this results in energy being used simultaneously. At the same time, oversized infrastructures for disposing of or incinerating waste must be avoided;

42. strongly supports the European Commission's intention to step up enforcement of the revised Waste Shipment Regulation, thereby counteracting the illegal export of post-consumer waste and the shipment of waste to sub-standard treatment plants within or outside the EU. The European Commission should closely involve the competent local and regional authorities in its activities and promote the development of an Electronic Data Interchange for Waste shipments and develop guidance on adequate inspection planning, the requirement for which has been introduced by the latest revision of the Directive;

Strengthening the secondary raw materials market

43. takes the general view that quality standards must, when necessary, be established by the industries which use the raw materials, since only the manufacturers of products know what qualities the raw materials and substances they need for production must have. However, the Committee emphasises in this connection that the quality of the products, not their origin, must be the determining factor;

⁽⁸⁾ CDR 4083/2014.

⁽⁹⁾ CDR 3751-2013.

44. takes the view, however, that the Commission is responsible for examining and removing the current legal barriers which prevent the use of secondary raw materials or make it more difficult, as long as this does not conflict with safety-related aspects (e.g. pollutants, animal diseases, hygiene);

45. welcomes the Commission's aim to outline the points of intersection between chemical, product and waste legislation and takes the view that this should take place as swiftly as possible. The CoR stresses, in this regard, that replacing dangerous and toxic substances with safe alternatives which are available or still being developed, and the traceability of dangerous chemicals in the value chain and in material cycles, are essential for the circular economy to function smoothly;

Priority areas

46. welcomes the Commission's focus on plastics, refers to its opinion on the Green Paper on a European strategy on plastic waste in the environment ⁽¹⁰⁾ and stresses that rules must be set with regard to the use of plastics in certain sectors in order to facilitate the recycling of plastic or curb its use in certain sectors. Plastics containing substances harmful to the environment and health should not be reused/recovered if the pollutants cannot be extracted through a treatment process and removed from the materials cycle. Plastics containing harmful substances should be withdrawn from circulation, for example by incineration. It is important for the Commission to take account of this when drawing up rules and target levels. It should also act to ensure that primary production is free from substances harmful to the environment and health as soon as possible;

47. points out that many new combined materials can have positive environmental effects (as insulation, saving weight etc.), but on the other hand can pose new challenges during their life-cycle with regard to re-use, recycling or disposal;

48. criticises the fact that the important subjects of littering and plastic leaching are not addressed in more detail in the action plan and therefore calls on the Commission to give these issues greater consideration in the strategy on plastics in the circular economy, announced for 2017, and to set clear targets for finding solutions;

49. urges the Commission and Member States to promote market-driven initiatives to boost the use of recycled materials by creating fiscal and economic incentives for businesses to adopt circular economy-based business models and for consumers to buy products and services that support the circular economy;

50. considers reducing food waste to be not only an economically and environmentally, but also an ethically important aspect of the circular economy and refers to its opinions in relation to the legislative package and its own-initiative opinion on food waste ⁽¹¹⁾;

51. takes the view that measures to prevent food waste along the value chain are not solely the concern of the Member States, LRAs and businesses, but that the European Commission and other EU institutions play a decisive role, as this subject is linked to other policy areas (e.g. hygiene regulations/consumer protection, trade standards, agricultural subsidies);

52. takes the view that a comprehensive assessment of the construction industry is essential because of the scale of this sector's waste and its increasingly complex composition. Ecodesign for building products in particular must take the whole life-cycle into account, and therefore must be used more for this category of products; although the interest in enhancing efficiency in the use of resources in the EU construction sector is unarguable, the differing national approaches, both public and private, increase the complexity of the working environment for all stakeholders. The lack of common objectives, indicators and data, together with the lack of mutual recognition of the different approaches could rapidly wipe out the progress achieved so far, and generate distortions on the internal market in the areas of planning, design, construction and manufacturing;

⁽¹⁰⁾ CDR 3751-2013.

⁽¹¹⁾ CDR 6646/2015.

53. is of the view that when applying the principles of the circular economy to the real estate and construction sectors, projects must be designed in layers, specific materials and components must be selected, and as early as the construction stage, building must be geared towards dismantling and adaptability. Industry will therefore need to be involved with waste redefined as a valuable resource, and buildings must become 'material banks' for future generations. To this end, material structures and components must be designed that can be broken down or dismantled, in part or totally, in such a way that the constituent components can be reused, the materials can be recovered and the entire building can be rebuilt elsewhere;

54. stresses the regional relevance of the circular economy of building waste: due to its amount and weight, transporting it long distances makes no economic sense, meaning that it generally remains in the region where it was produced;

55. sees the building industry as an important field of action for all levels of public administration: given that public administrations not only own public buildings, but are also responsible for creating and maintaining infrastructure, they should be pioneers in giving broad market access to innovative, environmentally-friendly processes and products, such as secondary aggregates derived from building and demolition waste in road building and other forms of construction ⁽¹²⁾;

56. stresses that LRAs play a particularly important role in the authorisation of building and demolition processes and that they should receive support with integrating the circular economy in this sector through EU guidelines;

57. reiterates that the development of indicators to assess the environmental performance of buildings in terms of their life-cycle is important to LRAs in the EU and is a prerequisite for developing general environmental protection targets and standards in the building sector. LRAs should be involved in developing these indicators ⁽¹³⁾;

58. notes that the topics of pharmaceuticals and nanomaterials as waste or discharges into the environment are not in the action plan and must be addressed swiftly as further priorities by means of corresponding strategies;

Innovation, investment and other horizontal measures

59. welcomes the fact that in the action plan the Commission commits itself to supporting the Member States and LRAs to strengthen their circular economy measures by means of targeted measures, and also makes funding available to them for the development of circular economy projects from various EU funding instruments, such as the European Structural and Investment Funds, EFSI, LIFE, Horizon 2020 and COSME; underlines the need to improve synergies between various Funds and programmes and simplify their use. Calls for a one-stop shop approach;

60. notes, in this regard, that these funding instruments are often not geared towards the requirements of regions and LRAs, and therefore calls for them to also be directed towards regions' and LRAs' requirements and financial and administrative capacities; measures and instruments need to be tailored to the different local situations in Europe's regions, and in particular the density of the population and its territorial distribution should be taken into account;

61. notes that the European Structural and Investment Funds' operational programmes were already fixed before the action plan and that the investment measures necessary for the circular economy could not therefore be planned in such a way that they also make possible smaller projects to reduce waste; to set up networks for reuse, repair, and the shared economy; to test new processes to sort and treat waste; to build the capacities of SMEs; and to raise public awareness;

62. calls on the Commission, therefore, to give this more consideration in the next funding period and more generally to make the circular economy as high a priority in the coming structural and investment funds funding period as has hitherto been the case for climate change.

⁽¹²⁾ See: Commission Staff Working Document 'EU GPP Criteria for Office Building Design, Construction and Management' of 20 May 2016, SWD(2016) 180 final.

⁽¹³⁾ CDR 4084/2014.

63. calls on the European Commission to promote 'disruptive technologies', which could massively alter or supplant whole market segments, more effectively as part of the circular economy, in order to guarantee better use of knowledge;

Monitoring and governance

64. invites the European Commission to provide regular progress reports on the state of implementation of the Action Plan to the Committee of the Regions, to regularly discuss with the Committee of the Regions the progress achieved and to explore the possibility of Outlook Opinion requests to the Committee of the Regions to enable it to contribute already to the policy preparation phase.

Brussels, 12 October 2016.

*The President
of the European Committee of the Regions*

Markku MARKKULA

Opinion of the European Committee of the Regions — An EU Strategy on heating and cooling

(2017/C 088/17)

Rapporteur: Daiva Matonienė (LT/ECR), Member of Šiauliai City Municipal Council

Reference document: Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions
An EU Strategy on Heating and Cooling

COM(2016) 51 final

POLICY RECOMMENDATIONS

THE EUROPEAN COMMITTEE OF THE REGIONS

General comments

1. welcomes the European Commission's proposal that heating and cooling be considered as part of the common energy system, and notes that this is the first time that the heating sector has been highlighted as an important area within the energy sector that is well placed to contribute to increasing energy independence, ensuring energy security, achieving climate change objectives and reducing consumer spending;
2. believes that there can be no one-size-fits-all solution to ensure a sustainable heating and cooling sector, and stresses that a broad range of solutions is needed to deliver effective results, i.e. different technologies and different solutions both for individual cases and the entire sector;
3. notes, however, that the strategy is very general, lacks clarity and does not specify in sufficiently concrete terms how and in which direction the heating and cooling sector needs to be developed, what practical measures need to be taken to achieve the goals set, what impact these measures will have on local and regional governments, businesses and consumers (households), or what financial support and incentive rules should apply in view of the objectives regarding sustainable energy supply;
4. stresses that the EU is still highly dependent on energy imports. Heating and cooling currently account for 50 % of the EU's annual energy consumption. This represents 59 % of total gas consumption and 13 % of total oil consumption in Europe ⁽¹⁾. These figures represent a high potential for energy savings. In order to realise this potential, it is necessary to take measures to restructure the heating and cooling sector and to guarantee efficient heating and cooling;
5. supports the European Commission's proposal that the heating and cooling sector could be incorporated into Member States' national energy and climate action plans, which are part of the Energy Union governance;
6. stresses that EU legislation — such as the Energy Efficiency Directive, the Energy Performance of Buildings Directive and the Renewable Energy Directive — which provide for specific measures in the field of energy production or consumption, are important for the development of the heating and cooling sector; underlines, therefore that future revisions of this legislation should take account of the central role of local and regional authorities in this sector, and in particular of the recommendations contained in this opinion;
7. notes that the worldwide trend of diminishing non-renewable energy resources, global climate change and increased emphasis on environmental quality and human health increasingly define the guidelines for modern construction concepts and their main focus: energy savings and efficient use, and impact on the environment and human health;

⁽¹⁾ https://ec.europa.eu/energy/sites/ener/files/documents/1_EN_ACT_part1_v14.pdf

8. believes that the strategy will allow Member States to objectively evaluate their political and administrative decisions taken thus far in the district heating sector, as well as encouraging the development of the sector through the modernisation of heating systems, renovation of buildings, switching from natural gas to fuel from renewable energy sources, or to other fuels generated using clean energy, and enabling the connection of new users; this would make this service even less costly, reduce consumer spending and ensure healthier air in cities;

9. calls on the European Commission to review EU policies in order to develop a sustainable and efficient heating and cooling sector. One example which illustrates a lack of coherence between different elements of EU legislation is Commission Delegated Regulation (EU) No 244/2012⁽²⁾ supplementing the EPBD. The delegated regulation allows renewable thermal and electric energy to be subtracted from the energy performance of the building if produced on-site, but not if supplied through centralised energy production. This inconsistency risks undermining systems for district heating, district cooling and CHP and is counterproductive for the aim of promoting the use of renewables, waste-to-heat and reduction of CO₂; is of the view that the primary focus of the energy performance of buildings should be on the energy use/demand of the building;

10. calls on the European Commission to advise Member States, taking into account their own potential, to develop a sustainable heating and cooling sector by deploying efficient technologies, promoting innovation and removing legal and administrative barriers;

11. regrets the fact that the role of local and regional authorities has been poorly defined by this strategy and stresses that local and regional authorities are the main institutions responsible for the heating and cooling sector. Local authorities are not only involved in the development and management of infrastructure, but also are among the largest energy users;

12. highlights the fact that local and regional authorities as far as possible endeavour to contribute to the achievement of sustainable energy objectives. Many towns and cities across the EU have already for many years had climate and sustainable energy action plans, which incorporate low-carbon heat and power production, deployment of renewable energy sources and measures aimed at energy efficiency improvement;

13. stresses that, as the EU's assembly of local and regional representatives, the Committee of the Regions attaches great importance to energy issues in its work and recommendations have been formulated in several opinions in the context of the Energy Union proposals⁽³⁾ regarding the development of the energy sector, specific references to the important role of local and regional authorities in implementing sustainable energy policy goals, and suggestions for more active cooperation between the central authorities in Member States and their local authorities in terms of the decision-making process and representation of consumer interests;

14. recalls that the Committee of the Regions has already on several occasions pointed to the major role to be played by local and regional authorities in the development of cogeneration. This technology for the combined production of heat and electricity makes it possible to extract nearly 90 % of the primary energy content of fuel. The EU should create the conditions needed to facilitate support for these highly efficient facilities so that they can cover their operating costs⁽⁴⁾;

⁽²⁾ Commission Delegated Regulation (EU) No 244/2012 of 16 January 2012 supplementing Directive 2010/31/EU of the European Parliament and of the Council on the energy performance of buildings by establishing a comparative methodology framework for calculating cost-optimal levels of minimum energy performance requirements for buildings and building elements (OJ L 81, 21.3.2012, p. 18).

⁽³⁾ Opinion of the Committee of the Regions on the Energy Union package.
Opinion of the Committee of the Regions — Affordable Energy for All (OJ C 174, 7.6.2014, p. 15). Letter from the Greek Presidency of the Council of 4 November 2013.

Opinion of the Committee of the Regions on Renewable energy: a major player in the European energy market (OJ C 62, 2.3.2013, p. 51).

Opinion of the Committee of the Regions on Energy efficiency (OJ C 54, 23.2.2012, p. 49).

Opinion of the Committee of the Regions on the EU Energy Action Plan for 2011-2020 (outlook opinion) (OJ C 42, 10.2.2011, p. 6).

Opinion of the Committee of the Regions on the energy performance of buildings and the second strategic energy review (OJ C 200, 25.8.2009, p. 41).

Opinion of the Committee of the Regions on Promotion of renewable energy (OJ C 325, 19.12.2008, p. 12).

⁽⁴⁾ Opinion of the Committee of the Regions on Renewable energy: a major player in the European energy market.

15. is of the opinion that it is essential for energy costs to remain affordable for our poorest citizens, who often spend a high proportion of their income on heating, cooling, lighting and appliances, and for energy efficiency programmes to target above all those most in need⁽⁵⁾;

District heating and cooling systems, individual heat energy supply

16. considers district heating and cooling systems to be an excellent way of connecting the various sources of energy with energy producers and consumers. District heating can be one of the cleanest ways of supplying thermal energy, and may play a key role in reducing CO₂ emissions — as well as helping to ensure energy independence and energy security. Therefore, wherever conditions are favourable and the overall environmental benefits of such systems can be demonstrated, their development should be prioritised;

17. points out that in places with a high population density, district heating and cooling systems can be an excellent way of supplying heating and cooling, that, in such a case, all measures should be geared towards efficient energy production and that consumers should have more opportunities to use heat and electricity generated from carbon neutral energy sources. It should be noted that energy structures in the EU Member States are different and that a one-size-fits-all solution for all countries does not exist. It is important that incentives for new forms of energy production are designed in such a way that they do not undermine well-functioning systems at regional or local level;

18. believes that district heating networks have real potential for the efficient supply of energy to households and calls for the national and EU levels of government to provide support regarding potential needs for the expansion and upgrading of the existing networks. This also applies to local (island) biogas transmission grids which have been adapted to supply fuel locally to individual private consumers;

19. also notes that there are many parts of the EU territory where individual heating is the most efficient or even the only economically or technically feasible option due to population distribution; stresses that in these areas, more attention should be paid to encouraging the supply of buildings with heat and electricity produced from renewable energy sources, and promoting the replacement of old boilers with new, more efficient, less polluting ones also in order to address the issue of air quality given that in some European countries up to three quarters of air pollution from particulate matter comes from the use of solid fuels for household heating;

20. notes that the efficient development of heating and cooling systems involves connecting energy sources with industry and consumers. For example, the integration of heating, cooling and electricity networks could reduce the overall costs of energy systems and benefit consumers. To this end new and innovative technical solutions should be developed;

Increasing energy efficiency in buildings

21. stresses that energy efficiency is arguably most associated with buildings, as they represent huge potential for energy savings. In the European Union, 45 % of heating and cooling energy is used in the housing sector⁽⁶⁾. Improving energy efficiency in this area should therefore continue to be a priority;

22. underlines that energy efficiency in buildings results from the combined application of various measures and represents the ability to get maximum benefit from each unit of energy: rational energy use, implementation of energy saving technologies and use of renewable energy resources, as well as encouraging energy saving behaviour by consumers. It should be pointed out that the selection of construction materials and technologies should be guided by a holistic approach and the application of sustainable construction priorities;

23. points out that energy savings throughout the lifecycle of a building depend to a large extent on the decisions taken when designing a new building or drawing up a renovation plan for an existing building. Therefore the Committee suggests focusing on sustainable management of the process from an early stage, using innovative instruments such as building information modelling (BIM)⁽⁷⁾;

⁽⁵⁾ Opinion of the Committee of the Regions on The EU Energy Action Plan for 2011-2020 (outlook opinion).

⁽⁶⁾ See footnote 1.

⁽⁷⁾ https://en.wikipedia.org/wiki/Building_information_modeling

24. suggests reviewing existing renovation models, analysing their strengths and weaknesses and evaluating Member States' experiences in developing financing models that are attractive to consumers. It is also necessary to remove legal and administrative barriers to renovation. Around 70 % of EU citizens live in private residential buildings. Owners often fail to carry out cost-effective renovations because they do not have sufficient knowledge about their benefits, are not given impartial advice regarding the technical options and have to deal with different interests (e.g. in multi-apartment buildings) and financial constraints. Therefore Member State authorities and local and regional authorities need to focus on working with the public in order to raise awareness about the application of energy efficiency improvement measures and to promote energy savings;

25. calls on local and regional authorities to look for ways to involve the private sector and energy service companies in the implementation of energy efficiency improvement measures by creating favourable conditions and removing administrative and legal barriers;

26. proposes a greater uptake in buildings of advanced technologies which, without compromising consumer comfort, help reduce energy consumption for indoor space heating, cooling, ventilation, lighting, hot water and other needs. For example, there are heat return technologies that efficiently extract heat from the exhaust air of a building and transfer this heat to the supply air — this can save a substantial proportion of the energy used for indoor space heating;

27. notes that one of the Commission's approaches to improve buildings' energy performance is to rely heavily on smart systems offering measuring, control and automation tools, and to give consumers more possibilities to be involved in demand-side management. In principle, these measures are welcome. However, there are some concerns with regard to their economic and privacy impact which should be further investigated and due to which smart metering should remain voluntary;

28. stresses the importance of promoting passive houses that have very low energy consumption, and also supports and encourages the greater practical uptake of the concept of active houses that use alternative sources of energy;

29. stresses that it is very important for the construction sector to take a responsible approach; suggests setting more stringent recommended standards for appliances and new buildings and imposing stricter recommended design and construction criteria that encourage architects, planners and designers to develop houses that meet the requirements for smart buildings;

30. points out that in order to achieve the EU's heating and cooling strategy objectives it is important to pursue an integrated approach and encourage district renovation: i.e., as well as renovating buildings, it makes sense to carry out integrated environmental regeneration of the whole district, upgrade infrastructure, set up green zones, bicycle-friendly infrastructure etc.;

Industry, cogeneration and renewables

31. points out that there is significant potential for energy savings in industry; based on the idea of industrial symbiosis which is an important element of the notion of moving towards a circular economy; notes that in many places excess heating and cooling flows are generated that are simply discharged into the environment and agrees that using waste heat and cold in district heating and cooling networks would reduce primary energy consumption and benefit both the economy and the environment. Local and regional authorities have an important role to play in this regard, as they are responsible for planning heating systems;

32. notes that industry should be encouraged to put more emphasis on more efficient use of existing technologies in order to reduce energy costs. Industry accounted for a quarter of the total final energy consumption in the EU in 2012. 73 % of this is used for heating and cooling ⁽⁸⁾;

⁽⁸⁾ See footnote 1.

33. calls on the European Commission to focus more on innovation in industry and to support the use of renewable energy sources and the development of new low-carbon technologies, including carbon capture and geological storage (CCS), which can efficiently contribute to climate change mitigation and believes that a reformed ETS scheme is a crucially important tool in this regard;

34. agrees that cogeneration of heat and power (CHP) is not currently being used to its full potential. Therefore urges the Commission to develop a concrete action plan detailing recommended measures to promote cogeneration;

35. urges national authorities to consult the local and regional level on decisions concerning the development of cogeneration. Furthermore, administrative and regulatory barriers hampering the development of cogeneration should be lifted after considering local conditions and opportunities as well as the economic benefits of expanding cogeneration which include improving the competitiveness of the industry by making use of its waste heat;

36. believes that the use of renewables in the heating and cooling sector could be one of the ways to ensure efficient development of heating and cooling sectors. District heating systems could make use of various renewable and local resources, including waste energy, municipal waste, biofuels, solar and geothermal energy, etc. Therefore, the development of systems should be encouraged by enabling the integration of renewable energy sources;

The need and possibilities for financing the heating and cooling sector

37. stresses that improving the efficiency of the heating and cooling sector requires significant financial resources, and consequently that it is of the utmost importance to develop a common approach and to seek a better match among the various financing sources;

38. suggests a review of the existing financial support schemes at different levels which may be used to support the development of district heating and cooling systems, energy efficiency and the use of renewable energy; secondly, calls for efforts to promote the creation of attractive funding schemes in order to be able to implement more effective measures for the heating and cooling sector;

39. suggests promoting the use of innovative financial instruments to finance the development of the heating and cooling sectors, encouraging investment in clean technologies and facilitating the involvement of the private sector. It is important to strive for synergy between new funding methods and opportunities and to apply financial engineering measures, such as low-interest loans, guarantees, interest subsidies, capital investments, securitisation, etc.;

40. stresses that the implementation of the EU Strategy on Heating and Cooling and the funding of bigger projects would benefit from the option of combining the European Structural and Investment Funds (ESIF)⁽⁹⁾ with EFSI financial instruments. Therefore calls for the combination of measures to be applied as widely as possible in the EU Member States and for the process to be sped up and simplified;

41. points out the need to promote greater use of the ESCO model for energy projects and remove legal and administrative barriers preventing its use in heating and cooling. Also notes the importance of continuing structural reforms in the EU Member States in order to remove the barriers to investment in the heating and cooling sector and eliminate red tape;

42. stresses the importance of the cooperation with the European Investment Bank (EIB) and the need for local and regional authorities to be supported in finding additional funding sources and in implementing bigger energy efficiency projects. For example, with the EIB's assistance Lithuania has created an innovative JESSICA fund, attracted additional financing sources and achieved a multiplier effect;

⁽⁹⁾ http://ec.europa.eu/contracts_grants/funds_lt.htm

43. welcomes the support by the European Fund for Strategic Investments (EFSI)⁽¹⁰⁾, with a particular emphasis on providing first-loss liability, investing in larger-scale, higher-risk energy efficiency projects. Also notes that until now the EFSI has been particularly useful to small and medium-sized enterprises (SMEs). Therefore, in order to encourage the greater involvement of the EFSI in those Member States where its activities have been limited so far, stresses the need to step up awareness-raising activities at local level;

44. welcomes the European Investment Project Portal (EIPP)⁽¹¹⁾, a web-based platform connecting promoters and investors of European projects. suggests supplementing the platform with descriptions of financial instruments by bringing together examples of good practice in developing funding programmes for energy projects in the EU Member States;

45. considers that it would be useful for the EU to prepare guidelines on the efficient management and funding of energy sector and to provide examples of possible models of efficient management that could be applied by local and regional authorities in the heating and cooling sector;

The role of the local and regional authorities

46. notes the important role played by local and regional authorities in the heating and cooling sector:

- local and regional authorities have direct responsibility for the sector: they arrange service provision, are responsible for system planning, and deal with funding issues related to the development and modernisation of the systems,
- local and regional authorities are the chain linking all players in the sector — consumers, suppliers, producers, investors and system operators — contributing, inter alia, to improving the quality of the environment,
- key decisions are taken and main initiatives emerge on the ground. The local level is the place where theory is put into practice and legal requirements are transformed into visible and tangible results,
- providing information to and consulting consumers;

47. notes that being responsible for municipal planning, local and regional authorities can contribute to promoting the use of renewable energy and improving energy efficiency at local and regional level, for instance by establishing ambitious targets and action plans, simplifying administrative procedures and rules or providing financial support;

48. finds it regrettable that the strategy does not mention local and regional authorities as key stakeholders in heating and cooling, and urges the European Commission to treat local and regional authorities as partners on an equal footing with central government with regard to the implementation of further measures in this area;

49. considers that local and regional authorities should be consulted with regard to future specific measures due to the role they play in planning and building the infrastructure, in attracting investors and in informing and consulting consumers;

50. notes that in many countries heating and cooling are the responsibility of municipalities (i.e. one of the utilities services), and therefore that in this regard the local level is essential in encouraging all stakeholders in the sector (households, industry) to be involved in the development of the sector, by creating the conditions to boost competition and reducing heating costs;

The importance of information and public involvement

51. points out that promoting the general use of modern technologies and efficient and sustainable heating or cooling systems, which enable efficient use of energy and resources will contribute to safeguarding ambient air quality and individual and social welfare;

⁽¹⁰⁾ <http://www.eib.org/efsi/index.htm>

⁽¹¹⁾ https://ec.europa.eu/priorities/european-investment-project-portal-eipp_en

52. notes the fact that renovation or fuel switching or other measures alone will not bring significant results; proper information is of the utmost importance. Building owners often lack knowledge about the benefits of renovation. Heating and cooling make up on average 6 % of Europeans' consumption costs. 11 % of the population are unable to keep their houses sufficiently warm in winter ⁽¹²⁾. Consumers' choices are limited due to the lack of information on actual energy consumption and costs, and often due to insufficient resources to invest in high-efficiency technologies. It is difficult to compare technologies and solutions in terms of lifetime costs and benefits, quality and reliability. Therefore suggests that the central government and local and regional authorities should cooperate in raising public awareness and educating consumers about energy efficiency measures and energy saving techniques;

53. notes that, taking into account scientific progress and technological development, the heating and cooling sector (like many other sectors) lacks specialists with appropriate knowledge in the field of constructing energy efficient buildings, energy efficiency and renewable energy technologies. In order to tackle this problem, it is important for all stakeholders in the sector to cooperate in regard to training qualified professionals, carrying out consultations, and implementing awareness-raising and educational programmes;

54. welcomes the establishment of the European Investment Advisory Hub (EIAH) ⁽¹³⁾, which provides private and public project developers with technical support and tailored advice. However, notes that it would be appropriate for more advisory services to be provided on the ground, closer to the enterprises which need them. It is important to increase public and sector stakeholders' awareness about energy savings;

55. welcomes the Covenant of Mayors, which is based on an initiative by the Commission and in which the local and regional authorities undertake to reduce CO₂ emissions, thus contributing to the implementation of sustainable energy policy, and calls on the European Commission to provide incentives to participate in similar initiatives.

Brussels, 12 October 2016.

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

⁽¹²⁾ See footnote 1.

⁽¹³⁾ <http://www.eib.org/eiah/index.htm>

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