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Investment Plan

- Resolution of the European Committee of the Regions

Delegations will find attached the abovementioned resolution. Please note that other language versions should be available at: <https://dmsearch.cor.europa.eu/search/opinion>



**European Committee
of the Regions**

RESOL-VII/006

139th plenary session, 30 June-2 July 2020

RESOLUTION

**Revised Multiannual Financial Framework and European Sustainable
Investment Plan**

COR-2020-02639-00-00-RES-TRA (EN) 1/10

Resolution of the European Committee of the Regions – Revised Multiannual Financial Framework and European Sustainable Investment Plan

THE EUROPEAN COMMITTEE OF THE REGIONS

Revised Multiannual Financial Framework and Union Recovery Instrument

1. welcomes the Commission's proposal for the next **Multiannual Financial Framework (MFF)** of EUR¹100⁰billion and the **European Recovery Instrument ("Next Generation EU")** of EUR 750⁰billion, which can pave the way for a stronger, more sustainable, cohesive and resilient Union. It provides a first response to tackle the imminent impact of the COVID-19 crisis, and to addressing the Union's long-term objectives;
2. acknowledges the efforts made by the Commission to address the concerns of Member States the most hit by the crisis and those whose **regions are still lagging behind**, while trying to strike a balance between the need for grants and the leverage effect of financial instruments;
3. is however concerned that the **revised proposal for the MFF** of EUR¹100⁰billion falls EUR 34.6⁰billion short of the Commission proposal of 2018 and even further below the positions as put forward by the CoR and the European Parliament, reducing the ability of the EU to address the long-term objectives of the EU. Here in particular there must be more serious involvement of the CoR and the European Parliament, as appropriate;
4. notes that **increasing the headroom for the EU budget** by temporarily increasing the own resources ceiling by 0.6% of the EU GNI provides the EU with a more adequate budget to support the EU's recovery and match the ambitions set out in the strategic agenda of the EU;
5. takes note of the Commission's announcement of proposals on potential **new own resources** that are linked to the objectives of the recovery plan; underlines, however, that two years after their first proposal on a post-2020 MFF, the Commission still did not put forward legislative proposals for real own resources; reiterates in this respect its call upon the Commission to urgently present concrete legislative proposals on the matter, e.g. on a plastics tax and emissions trading;
6. reiterates that both the MFF and the Recovery Plan must focus on **cohesion as a fundamental value** of the European Union, to pursue major challenges such as the post-COVID-19 crisis recovery, the European Green Deal, the Sustainable Development Goals, the European Pillar of Social Rights as well as stimulating competitiveness and overcoming disparities, as well as the digital transformation to ensure that no one and no place is left behind;
7. stresses the fact that **local and regional authorities represent one third of public spending** and two thirds of public investment; they implement 70% of all EU legislation, 70% of climate mitigation measures and 90% of climate adaptation policies, therefore an essential decision must be made on the necessity to involve – regarding elaboration, consultation, implementation and funds' management – all local and regional authorities, as well as to transform into a compulsory rule that Member States must allow all local authorities to benefit and to use the funds for investments, such as the Integrated Territorial Investment;

COR-2020-02639-00-00-RES-TRA (EN) 2/10

Cohesion at the centre of the recovery

8. highlights the fact that the asymmetric impact of the COVID-19 pandemic on the EU's economic, social and territorial cohesion and its regions require an adequate policy response;
9. welcomes the European Commission's proposal to ensure the role of **Cohesion Policy as a strong EU long-term investment policy**, as well as the additional investments through the new top-up support initiative called REACT-EU and welcomes the approach that ensures support is commensurate with the impact of the crisis. In this way, continuity is essential for LRAs as they move to recovery phases and provide support to the people and places that need it most. Altogether, these proposals provide for an immediate and effective response to the COVID-19 pandemic with its social and economic consequences; underlines, however, that the flexibilities in this new programme should not be centrally managed and that they should be implemented under the shared management principle, respecting the prerogatives of local and regional authorities;
10. calls for further clarity with regard to the interplay between different new mechanisms, such as React EU, Just Transition Fund, and Recovery and Resilience Facility to avoid additional complexity and heavier national restrictions being added by the Member States;
11. notes that the proposed **extension of the current operational programmes** should allow for a rapid implementation of crucial investment. Calls for a swift approval of proposals aimed at increasing flexibility and widening the scope of areas to support, among others, health services, tourism, agriculture, education, culture sectors and SMEs that would help cities and regions invest money where it is most needed in accordance with the principles of Cohesion Policy;
12. is concerned about the **temporary nature of some of the reinforcements**, in particular in relation to Cohesion Policy and rural development, which do not correspond to the long-term development needs and the initial cuts made by the Commission in the 2018 proposals; therefore welcomes the proposal of the Commission to **review the national allocations for Cohesion Policy** in 2024 to possibly add another EUR 10 billion to the Cohesion Policy envelope without any Member State losing parts of their allocations;
13. regrets that the Commission did **not reverse its decision to separate the EAFRD** from the Common Provisions Regulation, which risks hampering the (much needed) integrated development of urban and rural areas;
14. regrets that the **share of financial resources is directed to measures at Member State level** instead of the local and regional level, while many of the competencies for health care, social measures and resilience are at local and/or regional level and therefore underlines the need to respect the **principles of partnership decentralisation and multilevel governance**;
15. highlights the importance of European territorial cooperation to help people, communities and businesses cooperate across borders, overcome the damaging effects of the crisis, and accelerate economic recovery. Collaboration will be essential to the recovery, and the new Interregional Innovation Investments mechanism will provide crucial support for developing European

COR-2020-02639-00-00-RES-TRA (EN) 3/10

industrial and innovation value chains, in line with the smart specialisation strategies;

16. welcomes the fact that a proper **territorial impact assessment** of the asymmetric impacts at regional level was carried out in the accompanying Staff Working Document;
17. welcomes the fact that the **strong link to the strategic policy objectives of the EU** (Green Deal, digitalisation) is being kept and that the Commission is putting them forward as tools for a European recovery; regrets, however, that the European Pillar of Social Rights is not at the core of the EU's recovery strategy;
18. considers it important that a recovery, in line with a strong Cohesion Policy, is rolled out in a way that captures the tenets of active subsidiarity;

Recovery Plan and European Semester

19. welcomes the Commission's ambitious proposal for a **Recovery and Resilience Facility** which will allow large-scale financial support for necessary investment and reforms; recalls that local and regional authorities are responsible for more than half of public investment and must therefore be able to receive adequate support from this initiative; highlights in this respect the risk that the delivery of the Recovery and Resilience Facility through national programmes bears the risk of lacking appropriate information and communication of the EU's intervention towards its citizens;
20. asks the European Commission to ensure the **coherence of the recovery plans**, avoid investment duplications and excess bureaucracy or administrative burdens in order to be efficient and achieve the common goal of overcoming the climate, economic and social crisis as soon as possible;
21. stresses that the strong **link of the Recovery and Resilience Facility(RRF) to the European Semester** increases the urgency for a deep reform of the European Semester and the EU's economic governance towards a transparent, inclusive and democratic process. If the European Semester remained unreformed, the RFF risks leading to further centralisation, a top-down approach of the recovery plans and the return to policies, which take no account of economic, social and territorial cohesion among and within Member States and hamper the urgently needed public investment for the EU's sustainable recovery;
22. believes therefore that the **European Semester** should integrate the principles of partnership, multilevel governance and a territorial dimension, if it is to become a legitimate and efficient delivery mechanism. Implementing the CoR's proposal for a Code of Conduct for the involvement in the Semester of local and regional authorities at national level and of the European Committee of the Regions at European level is therefore more urgent than ever;
23. supports the Commission's ambition to strengthen the EU's recovery as well as its resilience and strategic autonomy through an **upgrade of InvestEU** and the creation of the **Strategic Investment Facility**;

COR-2020-02639-00-00-RES-TRA (EN) 4/10

24. welcomes the proposal for a **new Solvency Support Instrument**, which will kick-start the EU economy by incentivising private investments and prepare companies from across the economy for a carbon-neutral and digitally enabled future. It needs to be rolled out swiftly and guidelines that clearly align investments with EU priorities would be welcome to fulfil its objective of helping otherwise viable businesses survive the current crisis; underlines that this support must be granted according to transparent criteria taking into account not only the specific impact on the sector and region but also the public financial support otherwise received;

More resilient and greener Union

25. welcomes the substantial increase in the **Just Transition Fund (JTF)** envelope for regions facing major challenges in the energy transition, bringing the overall amount of the JTF to EUR 40 billion; however demand that regions should be taken into account which, in anticipation of effective regulatory measures for climate protection, invested very early and very extensively in renewable energies and technologies of renewable energies and will continue to do so; Draws the attention about the special context of regions dependant on fossil fuels and with isolated energetic systems, as it is the case with islands and outermost regions; Is however deeply worried by the fact that the financial resources needed to decarbonise EU economy go far beyond what has been proposed by the European Commission;
26. welcomes the stand-alone **EU4Health Programme** worth EUR 7.7 billion in additional resources, bringing the overall total of EUR 9.4 billion as part of the third pillar of the Recovery Plan for Europe in line with the recent political demands of the CoR; insists that the instrument must remain a constant commitment to health in the EU budget and not only a temporary instrument within the 2021-2027 MFF;
27. calls for a further **strengthening of regional and local aspects** in health-related measures, especially on cross-border health care and health care in the outermost regions, and notes that, due to the decentralised nature of health systems in some cases, Member States and the European Commission need to involve regional governments more closely in emergency health responses and to follow their advice on the allocation of funds;
28. welcomes the **EUR² billion reinforcement of rescEU** to develop a permanent capacity to manage all types of crises, notably by establishing emergency response infrastructure, transport capacity and emergency support teams. Insists that a temporary one-off instrument will not be enough and that a long-term commitment along with a reinforced budget is needed; welcomes the commitment from the Commission, in a spirit of preparedness, to learn lessons from the current pandemic and reinforce programmes including but not limited to rescEU and Horizon Europe;
29. agrees with the need to **further develop the EU's emergency and disaster response capacities** and supports the Commission's proposal to reinforce its emergency tools, such as the EU Solidarity Fund and the Solidarity and Emergency Aid Reserve, and to make them more flexible. Stresses, however, that the proposed tools and measures also need to take into account needs and circumstances at local and regional level specially in particularly vulnerable areas like the outermost regions;

30. recalls the **added value of rural territories** for the success of the European project and in particular in facing extreme situations. Regions and local authorities develop innovative solutions and meet essential European food safety needs, also for the rest of the European population. The current emergency calls for changes to the social, economic and territorial paradigm to bridge the gap and to better connect and foster cooperation between urban and rural areas;
31. regrets the Commission proposal to **decrease the EAFRD budget** compared to the previous programming period, which runs counter to the EU's objective of territorial cohesion. Welcomes the EUR^o15 billion in additional support foreseen for rural development; underlines, however, that this small increase does not compensate for the 28% budget cut proposed by the Commission in 2018 for the EAFRD; also regrets that the European Commission in the revised proposal for the MFF reduced the funding for the Common Agricultural Policy by 9% compared to the MFF for 2014-2020;
32. calls for the POSEI budget, which lays down specific measures for agriculture in the Union's outermost regions, to be bolstered, and for the Commission's proposed cuts for the period 2021-2027 to be reversed;
33. underlines that funding for the European Agricultural Fund for Rural Development must reflect the needs and the ambition of the recently published **Farm to Fork and Biodiversity Strategy** and support farmers and rural areas in making the necessary structural changes for a transition towards more sustainable food systems; the Biodiversity Strategy, however, needs concrete tools, robust financing and needs to be developed together with regions and cities, who will also have to implement it;
34. emphasises its strong rejection of the solutions proposed by the European Commission, which will further exacerbate the situation of local and regional authorities compared with today when it comes to the time limit for using annual allocations from EU programmes and to the level of pre-financing and, in particular, co-financing of projects;
35. welcomes the EUR^o10.5^obillion increase in the **Neighbourhood & Development Instrument (NDICI)** compared to the latest MFF proposal, which brings the instrument to EUR 86 billion, of which EUR 1 billion will already be made available in 2020;
36. supports the intention to **stimulate growth after the pandemic by investing in critical transport infrastructure and cross-border connections** to promote the green transition towards zero-emission mobility, especially by building one million charging points for electric vehicles. Notes that the availability of clean fuels is important for territorial and social cohesion, and lower demand in rural and insular areas should be compensated by a special scheme, similar to the WiFi4EU programme for rural areas;
37. regrets that the general basis of the new **Rights and Values programme**, which is to fund efforts to protect the EU's fundamental rights and values and encourage active European citizenship, has not been increased to meet the huge challenges in this regard in some Member States;

COR-2020-02639-00-00-RES-TRA (EN) 6/10

38. recalls that the **Green Deal** was designed as a transformation strategy which protects the environment, and thus our livelihood; underlines that renewable energies, clean technologies, the circular economy and the digital transformation are a great economic and industrial opportunity to deliver growth and jobs and create a new prosperity model;
39. points out that the CoR fully supports the implementation of the Green Deal and the development of the Climate Pact through **coordinated and cross-cutting measures and initiatives** that ensure due consideration of multilevel governance and the territorial diversity and the principle that no person or region is left behind; considers that regions and cities are well placed to accelerate the process through a host of activities, including public procurement, building renovation, clean transport, better waste management and digital upgrading and sustainable tourism transformation;
40. in this context, calls for additional instruments granting direct access to the EU funds for local and regional authorities for their sustainable actions under the new Multiannual Financial Framework, like for example the existing European City Facility under the Horizon 2020 Programme;
41. calls for a more **flexible use of the new MFF resources in order to assess and adapt the real costs associated with the transition** to sustainable development and a green recovery, and encourages collaborative public-private innovation initiatives driven by cities and regions;
42. calls for **EU funding to always be subject to a climate impact and sustainability assessment**. Subsidies, aid and support programmes that directly or indirectly harm the environment should be reviewed in light of their consistency with the climate and sustainability goals;
43. is concerned by the **green transformation investment gap**, recently estimated at EUR 470 billion per year; underlines that a detailed plan on how to finance this massive gap is urgently needed;
44. welcomes the proposed "**Renovation Wave**" and asks for adequate funding and the involvement of the entire value chain in order to drive the recovery. Considering the extreme differences between territories, regions and cities should be given autonomy to plan and especially so in the implementation phase of their plans, as well as direct access to European Structural and Investment Funds. Training and knowledge sharing should also be part of the European framework to promote synergies to be exploited and to increase efficiency in the use of funds;

Future-oriented Union

45. welcomes the reinforcement of **Horizon Europe by EUR 7.8 billion, Digital Europe by EUR 1.5 billion and of the CEF Transport by EUR 1.5 billion**. The extra research money, especially in health, green economy and the European Innovation Council, has a clearly local impact; points out that many regional authorities are responsible for universities and research institutions and may therefore gain indirectly from these programmes; notes that research funding must be granted on a competitive basis to ensure survival in the global research and innovation market and to strengthen European research consortia;

COR-2020-02639-00-00-RES-TRA (EN) 7/10

46. is concerned, however, by persisting cuts to the **Energy and Digital strands of the CEF**;
47. welcomes the European Commission's proposals for the **European Social Fund Plus** in order to reinforce support to measures addressing youth unemployment and child poverty as well as the additional focus on supporting the workforce in the green and digital transitions and the doubling of the **European Globalisation Fund (EGF)**;
48. welcomes the Commission's proposal to at least to a small extent strengthen the investment in young people and the cultural and creative sectors by adding EUR +3.4 billion to the **ERASMUS programme** and EUR 150 million to the **Creative Europe Programme**; is, however, concerned that these increases still fall short of the Commission proposals of May 2018 and maintains its demand for tripling the number of participants in the ERASMUS programme¹ and for EUR 2 billion for the Creative Europe Programme²;
49. applauds the **special attention paid to culture, cultural heritage, the audio-visual** and creative sectors, which together with tourism have been greatly affected by the crisis and supports the fact that they could benefit from the REACT-EU initiative;
50. calls for the provision, as part of the EU's economic recovery plan, of an appropriate framework in the short, medium and long term for less economically diversified regions that specialise in the sectors most affected by the impact of the COVID-19 crisis;
51. underlines the importance of the revision of educational policies of the European Union, as well as of the necessity to update the Digital Education Action Plan that is needed for the post-COVID-19 period, helping regions and less developed regions to be well prepared and equipped for digital education, that would support those areas that are affected by the digital gap in this point of view.

Sustainable Europe Investment Plan³

52. believes that the COVID-19 crisis cannot be allowed to disrupt Europe's ambitions to implement the **Sustainable Development Goals** and become climate-neutral by 2050, which are only realistic if they go hand in hand with the appropriate financial means and an appropriate fiscal and regulatory framework;

¹ COR-2018-03950-00-01-AC-TRA.

² COR-2018-03890-00-00-AC-TRA.

³ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: *Sustainable Europe Investment Plan – European Green Deal Investment Plan*. Ref:°COM(2020) 21 final.

53. welcomes the European Commission's ambition to mobilise **EUR 1 trillion of private and public sustainable investments** over the coming decade, but is concerned that: (a)^othis would only represent a relatively small share of the overall investments needed, which the European Commission itself estimates at EUR 260 billion a year by 2030; (b)^othis estimate is limited to climate and energy-related investment, and achieving broader sustainability objectives including social and human capital investments would thus require even greater sums; (c)^othe headline figure of EUR 1 trillion largely does not rely on "additional" new funds or initiatives but rather on ongoing or already planned EU policies and instruments;
54. deplores the fact that the Plan's headline figure appears overestimated, while the Plan itself seems underfunded and limited in scope, neglecting the crucial socio-economic aspects;
55. points out that from energy to transport or housing, **local and regional authorities are crucial actors to deliver the investments necessary for the transition to sustainability**; believes therefore that the objectives of the Plan cannot be delivered without the effective involvement of local and regional authorities and regrets that this fact does not seem to be recognised by the Commission;
56. believes that investment in the transition to a sustainable economic model requires a financial and fiscal system that **incentivises investors to make sustainable investments**; welcomes, in this regard, the Commission's continued work on sustainable finance but recalls the need to quickly expand the regulatory framework to also cover **social sustainability**⁴;
57. firmly believes that, through appropriate price signals, taxation can lead to sustainable behaviour by producers, users and consumers and therefore urges the Council to quickly adopt the proposed **legislation on value added tax (VAT)** so that Member States can make more targeted use of VAT rates to reflect increased environmental ambitions;
58. expresses caution with regard to the Commission's plans to introduce new legislation on **green public procurement**; even though it can be a useful tool in this respect, many public authorities are still working on adapting to the current framework following the 2014 reform, so further legislative requirements should be kept simple but effective⁵; welcomes the Commission's indication that the future revised State aid guidelines will allow further flexibility for public authorities to encourage and accompany the transition to a sustainable economic model;
59. firmly believes that, taking into account lessons learned from their suspension in response to the COVID-19 crisis, the **EU's fiscal rules** should better integrate the EU's long-term sustainability goals;

⁴ Opinion: *Financing sustainable growth*. Rapporteur: Tilo GUNDLACK (DE/PES). Ref: [COR-2018-02182](#). Adopted 05/12/2018.

⁵ Opinion: *Implementation report on public procurement*. Rapporteur: Thomas HABERMANN (DE/EPP). Ref: [COR-2019-01136](#). Adopted 08/10/2019.

60. underlines the need for **dedicated efforts to communicate** in an easily accessible way the new opportunities of the MFF to citizens and also to the one million local and regional elected politicians in the EU in a concerted effort of all EU institutions.

Brussels, 2 July 2020

The president
of the European Committee of the Regions

Apostolos Tzitzikostas

COR-2020-02639-00-00-RES-TRA (EN) 10/10