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**Opinion of the European Committee of the Regions — Review and proposal for the revision of the
MFF 2021–2027**

(C/2023/1331)

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**Reference
documents:**

Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions — An adjusted package for the next generation of own resources

COM(2023) 330 final

Amended proposal for a Council Decision amending Decision (EU, Euratom) 2020/2053 on the system of own resources of the European Union

COM(2023) 331 final/2

Amended proposal for a Council Regulation amending Regulation (EU, Euratom) 2021/768 of 30 April 2021 as regards implementing measures for new own resources of the European Union

COM(2023) 332 final/2

Amended proposal for a Council Regulation on the methods and procedure for making available the own resources based on the Emission Trading System, the Carbon Border Adjustment Mechanism, reallocated profits and statistical own resource based on company profits and on the measures to meet cash requirements

COM(2023) 333 final/2

Proposal for a Regulation of the European Parliament and of the Council establishing the Strategic Technologies for Europe Platform ("STEP") and amending Directive 2003/87/EC, Regulations (EU) 2021/1058, (EU) 2021/1056, (EU) 2021/1057, (EU) No 1303/2013, (EU) No 223/2014, (EU) 2021/1060, (EU) 2021/523, (EU) 2021/695, (EU) 2021/697 and (EU) 2021/241

COM(2023) 335 final

Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions — Mid-term revision of the Multiannual Financial Framework 2021-2027

COM(2023) 336 final

Proposal for a Council Regulation amending Regulation (EU, Euratom) 2020/2093 laying down the multiannual financial framework for the years 2021 to 2027

COM(2023) 337 final

I. RECOMMENDATIONS FOR AMENDMENTS

Proposal for a Council Regulation amending Regulation (EU, Euratom) 2020/2093 laying down the MFF for the years 2021 to 2027

Amendment 1

Article 1(2)

Text proposed by the European Commission	CoR amendment
(2) The Solidarity and Emergency Aid Reserve shall not exceed a maximum annual amount of EUR 1 739 million (in 2018 prices). Any portion of the annual amount not used in year n may be used up to year n+1. The portion of the annual amount stemming from the previous year shall be drawn on first. Any portion of the annual amount from year n which is not used in year n+1 shall lapse.;	(2) The Solidarity and Emergency Aid Reserve shall not exceed a maximum annual amount of EUR 2 665 million (in 2018 prices). Any portion of the annual amount not used in year n may be used up to year n+1. The portion of the annual amount stemming from the previous year shall be drawn on first. Any portion of the annual amount from year n which is not used in year n+1 shall lapse.;

Reason

Following the input from the NAT commission, the multiplication of crises, particularly those linked to climate change, requires a very significant increase in the budget of the solidarity and emergency aid reserve.

Amendment 2

Article 10(b)(2)

Text proposed by the European Commission	CoR amendment
2. The Ukraine Reserve shall not exceed an amount of EUR 50 000 million in current prices for the period 2024 to 2027. The annual amount mobilised under the Ukraine Reserve in a given year shall not exceed EUR 16 700 million in current prices.	2. The Ukraine Reserve shall not exceed an amount of EUR 60 000 million in current prices for the period 2024 to 2027. The annual amount mobilised under the Ukraine Reserve in a given year shall not exceed EUR 20 000 million in current prices.

Reason

The amount should be at least equal to the current support, so the figure has to be increased to EUR 60 billion. The amendment is in line with the request formulated in Dario Nardella’s opinion on the Ukraine Facility.

Proposal for a Regulation of the European Parliament and of the Council establishing the Strategic Technologies for Europe Platform ('STEP') and amending Directive 2003/87/EC, Regulations (EU) 2021/1058, (EU) 2021/1056, (EU) 2021/1057, (EU) No 1303/2013, (EU) No 223/2014, (EU) 2021/1060, (EU) 2021/523, (EU) 2021/695, (EU) 2021/697 and (EU) 2021/241

Amendment 3

Article 2(1)

Text proposed by the European Commission	CoR amendment
1. To strengthen European sovereignty and security, accelerate the Union's green and digital transitions and enhance its competitiveness, reduce its strategic dependencies, favour a level playing field in the Single Market for investments throughout the Union, and promote inclusive access to attractive, quality jobs, the Platform shall pursue the following objectives:	1. To strengthen European sovereignty and security, accelerate the Union's green and digital transitions and enhance its competitiveness, reduce its strategic dependencies, favour a level playing field in the Single Market for investments throughout the Union, <i>promote social, territorial and economic cohesion and solidarity among Member States</i> and promote inclusive access to attractive, quality jobs, the Platform shall pursue the following objectives:

Reason

It is essential to make explicit reference to the principle of social, economic and territorial cohesion and solidarity among Member States (Article 3(3) TEU) as a core objective of the Platform.

Amendment 4

Article 2(1)(c) (new)

Text proposed by the European Commission	CoR amendment
	(c) <i>strengthening Europe's economic, social and territorial cohesion and reducing disparities between the level of development of the various regions.</i>

Reason

The European Commission has introduced the 'do no harm to cohesion' principle in the 8th Cohesion Report. In order to make it operational, the pursuit of economic, social and territorial cohesion as spelled out in Article 174 TFEU should be an objective of this Regulation on an equal footing with the other two mentioned under Article 2(1)(a) and Article 2(1)(b).

Amendment 5

Article 2(2)(a)

Text proposed by the European Commission	CoR amendment
(a) bring an innovative, cutting-edge element with significant economic potential to the Single Market;	(a) bring an innovative, cutting-edge element with significant economic potential to the Single Market, <i>while preserving its integrity and favouring a level playing field;</i>

Reason

It is important to specify what ‘significant economic potential’ means.

Amendment 6

Article 5(3)

Text proposed by the European Commission	CoR amendment
3. The Commission shall report on the expenditure financed by the Platform. It shall, as appropriate, report on the achievements related to each of the specific Platform objectives.	3. The Commission shall report on the expenditure financed by the Platform. It shall, as appropriate, report on the achievements related to each of the specific Platform objectives and in particular on objective 2(1)(c) (new) to ensure that the implementation of the Platform does not harm cohesion.

Reason

This is to ensure that the ‘do no harm to cohesion’ principle is enforced.

Amendment 7

Article 7(2)

Text proposed by the European Commission	CoR amendment
2. The annual report shall include consolidated information on the progress made in implementing the Platform objectives under each of the programmes and funds.	2. The annual report shall include consolidated information on the progress made in implementing the Platform objectives under each of the programmes and funds. It shall include qualitative and quantitative information on how Europe’s social, economic and territorial cohesion is being reinforced.

Reason

This is to ensure that the ‘do no harm to cohesion’ principle is enforced.

Amendment 8

Article 8(2)

Text proposed by the European Commission	CoR amendment
2. The evaluation report shall, in particular, assess to which extent the objectives have been achieved, the efficiency of the use of the resources and the European added value. It shall also consider the continued relevance of all objectives and actions, in view of their potential upscaling.	2. The evaluation report shall provide an overview of the regions for which the programmes have been amended (including information on relevant aspects of the partnership principle), and in particular, shall assess to which extent the objectives have been achieved, the efficiency of the use of the resources, and the European added value. It shall also consider the continued relevance of all objectives and actions, in view of their potential upscaling. It shall be accompanied by a thorough assessment of differentiated territorial impacts and effects on cohesion in the implementation of the Platform.

Reason

It is important to ensure that an *ex post* evaluation of STEP does address the territorial impact of the programme to render the 'do no harm to cohesion' principle operational, as laid out in the Rijsberman opinion (COTER-VII/026).

Amendment 9

Article 10(1)(2)

Text proposed by the European Commission	Amendment
Amendments to Regulation (EU) 2021/1058 [ERDF and CF] Regulation (EU) 2021/1058 is amended as follows: (1) In Article 3(1), point (a), the following point is added: '(vi) supporting investments contributing to the STEP objectives referred to in Article 2 of Regulation .../... 64 [STEP Regulation]' (2) In Article 3(1), point (b), the following point is added: '(ix) supporting investments contributing to the STEP objective referred to in Article 2(1), point (a)(ii) of Regulation .../... [STEP Regulation]'	Amendments to Regulation (EU) 2021/1058 [ERDF and CF] Regulation (EU) 2021/1058 is amended as follows: 'in particular by supporting investments contributing to the STEP objectives referred to in Article 2 of Regulation .../... [STEP Regulation] is added to Article 3(1), point (a)(i), Article 3(1), point (a)(ii), Article 3(1), point (a)(iii) and to Article 3(1), point (a)(iv) of the ERDF Regulation

Reason

The aim is to avoid STEP being a mandatory new specific priority of the ERDF programme but rather a new typology of operations in PO 1

Amendment 10

Article 10(3)

Text proposed by the European Commission	CoR amendment
[...] By way of derogation from Article 112 of Regulation (EU) 2021/1060, the maximum co-financing rates for dedicated priorities established to support the STEP objectives shall be increased to 100 %. [...]	[...] By way of derogation from Article 112 of Regulation (EU) 2021/1060, the maximum co-financing rates for dedicated priorities established to support the STEP objectives shall be increased by fifteen percentage points. [...]

Reason

The envisaged blanket increase to 100 % will most help the most developed regions (co-financing rates currently at 40–50 %), followed by the transition ones, and then followed by less developed regions, therefore giving the most developed regions a competitive advantage over the others and particularly the less developed ones.

Amendment 11

Article 10(4)

Text proposed by the European Commission	CoR amendment
[...] (e) when they contribute to the specific objective under PO 1 set out in Article 3(1), first subparagraph, point (a)(vi) or to the specific objective under PO 2 set out in point (b)(ix) of that subparagraph, in less developed and transition regions, as well as more developed regions in Member States whose average GDP per capita is below the EU average of the EU-27 measured in purchasing power standards (PPS) and calculated on the basis of Union figures for the period 2015–2017. [...]	[...] (e) when they contribute to the specific objective under PO 1 set out in Article 3(1), first subparagraph, point (a)(vi) or to the specific objective under PO 2 set out in point (b)(ix) of that subparagraph, in less developed and transition regions. [...]

Reason

Under STEP, this will restrict the possibility of the ERDF to support productive enterprises other than SMEs to less developed regions and transition regions, in order to avoid a reduction of support for SMEs from cohesion policy in more developed regions where large enterprises and mid-caps are more likely to receive support from other sources, including other EU funding instruments to be reinforced through STEP such as Horizon, Invest EU ...

Amendment 12

Article 10(4)

Text proposed by the European Commission	CoR amendment
[...] Point (e) shall apply to Interreg programmes where the geographical coverage of the programme within the Union consists exclusively of categories of regions set out in that point.'	[...]

Reason

The integrity of Interreg's framework and envelope should be maintained.

Amendment 13

Article 11(2)

Text proposed by the European Commission	CoR amendment
2. <i>In Article 8(2) the following subparagraph is inserted:</i> <i>'The JTF may also support productive investments in enterprises other than SMEs contributing to the STEP objectives referred to in Article 2 of Regulation .../...⁶⁵ [STEP Regulation]. That support may be provided irrespective of whether the gap analysis was carried out in accordance with Article 11(2)(h) and irrespective of its outcome. Such investments shall only be eligible where they do not lead to relocation as defined in point (27) of Article 2 of Regulation (EU) 2021/1060. The provision of such support shall not require a revision of the territorial just transition plan where that revision would be exclusively linked to the gap analysis.'</i>	

Reason

This is to avoid cohesion policy support to large enterprises under preferential conditions for the priority axis concerned (30 % pre-financing, higher co-financing) while at the same time SMEs would receive support under less favourable conditions.

Amendment 14

Article 11(3)

Text proposed by the European Commission	CoR amendment
[...] By way of derogation from Article 112 of Regulation (EU) 2021/1060, the maximum co-financing rates for dedicated priorities established to support the STEP objectives shall be increased to 100 %.	[...] By way of derogation from Article 112 of Regulation (EU) 2021/1060, the maximum co-financing rates for dedicated priorities established to support the STEP objectives shall be increased by fifteen percentage points.

Reason

The envisaged blanket increase to 100 % will most help the most developed regions (co-financing rates currently at 50 %), followed by the transition ones, and then followed by less developed regions, therefore giving the most developed regions a competitive advantage over the others and particularly the less developed ones.

Amendment 15

Article 12(a)

Text proposed by the European Commission	CoR amendment
[...] By way of derogation from Article 112 of Regulation (EU) 2021/1060, the maximum co-financing rates for dedicated priorities established to support the STEP objectives shall be increased to 100 %. '	[...] By way of derogation from Article 112 of Regulation (EU) 2021/1060, the maximum co-financing rates for dedicated priorities established to support the STEP objectives shall be increased by fifteen percentage points. '

Reason

The envisaged blanket increase to 100 % will most help the most developed regions (co-financing rates currently at 40 %), followed by the transition ones, and then followed by less developed regions, therefore giving the most developed regions a competitive advantage over the others and particularly the less developed ones.

II. POLICY RECOMMENDATIONS

THE EUROPEAN COMMITTEE OF THE REGIONS (CoR)

On the MFF 2021-2027 review and proposal for a revision

1. welcomes the fact that the Commission shares the view of the CoR that the current MFF does not offer sufficient financial resources to respond to the current crises and the new political challenges stemming from them (war of aggression against Ukraine, high inflation, high energy prices, climate change, threat to biodiversity ...), as well as to the new EU political priorities (such as EU strategic autonomy, Green Deal industrial policy, Digital Europe, Asylum and migration pact ...);
2. emphasises that the Commission itself acknowledges that the annual investment gap to meet the objectives of the Green Deal is over EUR 620 billion; underlines that this figure shows once more that the overall ceiling for commitments for the whole period 2021–2027 (approx. 1,03 % GNI, NGEU excluded) is not sufficient to meet the EU's political ambitions and that new tasks should always be accompanied by new fresh resources;
3. welcomes the proposal to create the new EURI instrument, over and above the MFF 2021–2027 ceilings, to finance unforeseeable and extra costs linked to NGEU borrowing due to high-interest rates and inflation; urges the Council to support this proposal so as to honour the EU's legal commitments and to avoid putting more pressure on the current EU budget and other important EU programmes; underlines the need for a significant MFF reinforcement to ensure efficiency gains while keeping the administrative costs for local and regional authorities as small as possible;
4. welcomes the proposed increase in the Solidarity and Emergency Aid Reserve as it will strengthen the European Union's ability to respond to natural disasters and other emergencies; underlines its relevance for local and regional authorities as extreme natural events are more frequent: in the same vein welcomes the proposed increase in the Flexibility Instrument, which has proven very useful against unforeseen events and mitigates the constraints linked to the MFF during the annual budgetary procedure;
5. welcomes the increase in funding for migration and border management to ensure that all EU asylum, immigration and border policies are well equipped; stresses the importance of allocating sufficient resources tailored specifically for managing and mitigating challenges in local and regional authorities; welcomes also the increase in funding for external relations; and the introduction of the Ukraine facility⁽¹⁾, which should be financed over and above the MFF ceiling via a Ukraine Reserve; regrets, however, that the financial means provided for the Ukraine Facility falls behind the current financial support and therefore calls for an increased envelope of EUR 60 000 million;

⁽¹⁾ Proposal for a Regulation of the European Parliament and of the Council on establishing the Ukraine Facility — COM(2023) 338 final, Brussels, 20.6.2023.

6. regrets that the proposed MFF revision does not include more resources to be allocated directly to cities and regions, via for instance the Mission on Climate Neutral and Smart Cities, the Mission on Climate Adaptation and the Covenant of Mayors, to boost the implementation of Green Deal projects on the ground; highlights that there are still no fast-track provisions of funding for cities and regions engaged in EU initiatives and politically committed to reach the Green Deal goals;

7. takes note of the proposed increases under heading 7 so as to reinforce the EU administrative capacity of all EU institutions to deliver on the new tasks granted to all of them;

8. Recognises the critical role of local and regional authorities in the implementation of EU policies and emphasises the need to allocate adequate resources to empower these authorities in addressing the unique challenges faced by less developed regions; calls for a comprehensive review of the financial support for local and regional authorities to ensure their effective participation in EU strategic initiatives.

9. notes that a major part of the increases in commitment appropriations proposed by the Commission are aimed at enhancing the flexibility of the MFF and the agility of the EU budget to respond to unforeseen events and circumstances; welcomes the Commission's 'tactical' approach but underlines that it appears more to be a short-term solution than a structural answer to addressing the recurrent issues linked to the very structure of the MFF; invites the Commission to address this structural question in view of the MFF post-2027;

10. stresses that cohesion policy must not be used to finance any priorities other than the ones set by cohesion policy programmes (including STEP priorities), particularly if there is no agreement on additional resources as set out in the Commission's proposal for the MFF midterm review.

11. Notes that Article 312 of the Treaty on the Functioning of the European Union as the legal basis for the regulation laying down the multiannual financial framework does not provide for a consultation of the CoR and therefore limits its prerogatives to analyse the MFF midterm review, notably with regard to the compatibility with the subsidiarity principle. The CoR therefore expects a mandatory consultation to be introduced in the case of a treaties' reform. Notwithstanding this request, the CoR acknowledges to have been an addressee of the Commission's communication on the mid-term revision. Moreover, the CoR considers that the Commission proposal provides European added value and complies with the principle of subsidiarity, notably for the specific case of the Ukraine Facility given that the damages caused to Ukraine are such that no single Member State could meet the costs and that the Union is best placed to leverage its borrowing capacity to lend to Ukraine on advantageous terms.

Payment appropriations and own resources

12. points out that Article 311 TFEU foresees that 'without prejudice to other revenue, the [EU] budget shall be financed wholly from own resources'. Urges Member States to come to a decision as soon as possible on the proposals related to the adjusted package for the next generation of own resources; points out that sufficient proceeds from new own resources are essential to guarantee the proper functioning of the European Union and the repayment of the NGEU debt without jeopardising other EU programmes; highlights the importance of implementing the agreed roadmap for the introduction of new EU budget own resources without further delay.

On STEP

13. points out that the institutional powers of local and regional authorities vary across the European Union and that decision-making should take place at the level of government where it is most effective; considers that the proposal risks a further nationalisation and not complying with the principles of subsidiarity and proportionality; encourages the Commission to consult closely with local and regional authorities when designing and implementing policies affecting these regions;

14. deeply regrets that the Commission did not conduct any territorial impact assessment on the STEP proposal; welcomes that the CoR organised a Territorial Impact Assessment (TIA), which confirmed the possible concentration of funding under the programmes reinforced by STEP in some regions and Member States and a possible concentration of the targeted critical technologies in the same areas; takes note moreover that the 'investment needs assessment' used as a reference document to justify STEP and published in March 2023 does not tackle in any way the territorial dimension of the investment needs nor try to assess their impact in terms of economic, social and territorial cohesion; strongly doubts therefore that the STEP proposal is consistent with the 'do no harm to cohesion' principle; calls on Member States and the European Parliament to take the results of the Territorial Impact Assessment into account during their negotiations;

15. strongly regrets that no specific mechanism is foreseen under STEP to ensure the concrete involvement of local and regional authorities in the selection process for projects that would be granted the 'Sovereignty Seal' label; calls for a specific mechanism to ensure this involvement; fears that the proposed mechanisms to select 'Sovereignty Seal' projects will lead to a further centralisation of power and exacerbate competition between EU regions instead of reinforcing the cohesion of the EU as whole;

16. underlines the fact that since the start of the current programming period, Member States have been repeatedly ⁽²⁾ encouraged to amend their operational programmes to cater for political priorities not originally foreseen; underlines that this can deviate the policy from its long-term goals, while also putting a heavy administrative burden on managing authorities; is very much concerned that, in the case of STEP, this reprogramming exercise might in many cases lead regional and local authorities to set aside long-term investment projects carefully planned and designed under the partnership principle to the benefit of new investment projects which have been selected under EU centrally managed programmes; condemns very strongly this trend as a clear violation of the multi-level governance principle which is at the core of cohesion policy; reiterates its previous position that cohesion policy instruments should not be used as a pot of money to cater for urgent and unforeseen needs;

17. stresses the challenges of the transformation for all regions; strongly doubts, however, that the opening up of cohesion policy instruments for large companies in more developed regions of Member States with a GDP per capita below the EU average will strengthen cohesion; notes that this proposal is in sharp contrast with the findings of the 8th Cohesion Report and accumulative evidence of a 'development trap' of some EU regions and the 'widening of the research and innovation divide in EU regions' as underlined thereto; proposes, therefore, to delete these provisions in Article 10(4);

18. applauds the intention of the Commission to strengthen the competitiveness of the EU economy in the global market by promoting and strengthening investments in the development, manufacturing and value chains of critical technologies; considers, however, that not all the measures proposed are appropriate to compensate for the current competitive disadvantages of some regions, especially the least developed ones; is very surprised that the Commission did not present a comprehensive *ex ante* analysis of the combined impact on the level playing field in the single market of the recent relaxation of State aid rules and the STEP proposal;

19. in this context, while understanding the wish to incentivise investments, underlines that increasing co-financing to 100 % for STEP priorities will most help the most developed regions and will reduce the overall impact of cohesion policy;

20. recognises that increasing co-financing to 100 % for STEP priorities may inadvertently favour the most developed regions, potentially diminishing the overall impact of cohesion policy; calls for a nuanced approach that ensures that co-financing rates are tailored to the specific needs and development levels of different regions, thereby enhancing the effectiveness of cohesion policy in supporting less developed areas;

Additional flexibilities to implement the 2014-2020 cohesion policy programmes

21. warmly welcomes the proposed extension by 12 months of the submission of the closure documentation under the 2014–2020 programming period for both the CPR and the FEAD, which will allow time to close the 2014–2020 period while speeding up the implementation of the 2021–2027 programming period; urges the co-legislators to agree on these modifications as soon as possible so as to give predictability to the managing authorities; calls in that respect for the proposed flexibilities to be approved under a stand-alone ad hoc procedure independent of the STEP Regulation; also underlines that this extension would give more time to regional and local authorities to use funds for decarbonisation and diversification of economies to achieve the EU's climate neutrality goals;

⁽²⁾ REPower EU, FAST-CARE and Act in Support of Ammunition Production.

22. also proposes to the European Commission to open a reflection on introducing participatory budgeting in the next cohesion policy: 1 % of the regional programmes' envelopes could be dedicated to participatory budgeting in order to increase citizens' ownership and make EU policies more visible to Europeans.

Brussels, 10 October 2023.

*The President
of the European Committee of the Regions*
Vasco ALVES CORDEIRO
