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245/18)

**06.07.18**

**Decision  
of the Bundesrat**

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**Communication from the Commission to the European  
Parliament, the Council, the European Economic and Social  
Committee and the Committee of the Regions:  
A Modern Budget for a Union that Protects, Empowers and  
Defends — The Multiannual Financial Framework for 2021 – 2027**

**COM(2018) 321 final**

Official Document: 166/18

in connection with

**Proposal for a Council regulation laying down the Multiannual  
Financial Framework for the years 2021 to 2027**

**COM(2018) 322 final**

Official Document: 167/18

in connection with

**Proposal for a Council decision on the system of own resources  
of the European Union**

**COM(2018) 325 final; Council doc. 8357/18**

Official Document: 168/18 and regarding 168/18

in connection with

**Proposal for a Council regulation laying down implementing  
measures for the system of own resources of the European Union**

**COM(2018) 327 final; Council doc. 8359/18**

Official Document: 169/18 and regarding 169/18

in connection with

**Proposal for a regulation of the European Parliament and of the Council on the protection of the Union's budget in case of generalised deficiencies as regards the rule of law in the member states****COM(2018) 324 final; Council doc. 8356/18**

Official Document: 245/18

The German Bundesrat adopted the following Opinion in its 969th session on 6 July 2018 pursuant to §§ 3 and 5 of the Act on Cooperation between the Federal Government and the Federal States on Matters Pertaining to the European Union (EUZBLG):

I. General SectionStrategic focus

1. The Bundesrat considers the Commission's proposal for the Multiannual Financial Framework (MFF) of the EU after 2020 to be a good starting point for the upcoming negotiations of the EU institutions. It welcomes the proposal's close connection with the political priorities of the Union of 27. The Bundesrat supports the clear focus of the EU budget sought by the Commission on European added value as well as on results and efficiency.
2. Recognising that the MFF essentially sets the course for the future of the EU, the Bundesrat stresses the central importance of the European peace and integration project for Germany. It is convinced that the further consolidation and strengthening of a Union — from which the German federal states also benefit politically, economically, and socially in a number of ways — is in the common interest of the regions in Europe and of the federal states. However, several changes are needed in the interest of the regions.

3. The Bundesrat acknowledges that the EU has to be adequately funded in view of its ever increasing importance and the many new challenges. This is the only way to avoid the EU's key new tasks in areas like migration, security, energy and climate policy and digitalisation being put into competition with the EU's traditional tasks in areas such as the Cohesion Policy and the Common Agricultural Policy (CAP). The structure proposed by the Commission for the MFF after 2020 reflects the many responsibilities of a future-proof EU and increases the transparency of the EU budget. The Bundesrat considers resolution of the MFF before the European elections in 2019 to be necessary.
4. In view of the reduced income as a result of Brexit and growing expenditures as a result of performing new tasks which create added value for Europe and its member states, the contributions of the member states will have to increase to a reasonable and moderate extent. The Bundesrat welcomes the willingness of the Federal Government to assume this responsibility, allowing Germany to send an important political signal in challenging European times. A stronger Europe is in Germany's interest.
5. The Bundesrat also acknowledges that political priorities have to be realigned in view of the United Kingdom's withdrawal and the related financial impact on the EU's funds.

The Bundesrat understands that the budget has to be aligned with the new political priorities.

However, it is imperative from the Bundesrat's point of view that the major socio-political challenges are also reflected, especially given the need for citizens to identify with the EU. Only then can the social aspect also be strengthened and the socio-political objectives set out in EU agreements also be achieved.

6. The Bundesrat appreciates the fact that the proposed framework is still committed to ensuring that all regions of the EU continue to remain eligible for funding. As proposed, the federal states should also have access to all funding programmes from now on. Increases in efficiency and simplifications should take precedence over cuts. For this reason, the Bundesrat expressly welcomes the increase in efficiency sought by the Commission for the funding programmes. Significant simplifications, particularly in the application process and implementation of the programmes as well as for evidence of use, could reduce bu-

reaucratic demands for all those involved while also freeing up considerable funds. Cutbacks in programme resources should only be a last resort.

7. In the opinion of the Bundesrat, the areas on which EU funding places emphasis are good: EU funding for innovation, research, science and digitalisation, for education and youth, for climate protection and resource conservation and for implementation of sustainable development objectives provide European added value which justifies a high spending in these areas.
8. However, in view of this prioritisation and the envisaged transfer of additional tasks, the Bundesrat does not consider the financial cutbacks in the EU Cohesion Policy to be conducive: the EU's ERDF and ESF funds are already contributing substantially to the priorities of the EU in the current funding period, particularly to innovation and research, education and employment, to the reduction of CO<sub>2</sub> and to social integration and inclusion. These funds have the distinct advantage of having a local impact in regions and communes. They make Europe and Europe's priorities and objectives directly visible to the people. This also applies beyond the Cohesion Policy to the EAFRD.
9. The Bundesrat is also critical of the proposed CAP cuts, particularly in view of the disproportionately high cuts in the second pillar. The CAP plays an important role throughout the entire EU in the strategic priorities of the EU. This includes the objectives of an intelligent, sustainable, resource-conserving and competitive economy as well as growth, employment, and social cohesion.
10. It regrets that although gender equality is among the fundamental values of the EU and the EU has committed in Article 8 of the Treaty on the Functioning of the European Union (TFEU) to eliminate inequality in all its activities and to further gender equality, the furthering of gender equality is barely visible in its proposal for the MFF from 2021 to 2027 and that it is not mentioned as a priority. Given the major disparities between the genders that still exist and the major differences that still exist in this area between the individual member states, a stronger commitment from the EU is imperative.
11. The Bundesrat also regrets that the Commission did not present any figures when it presented the MFF package on 2 May 2018 that allow the proposed MFF for 2021 to 2027 to be compared with that for 2014 to 2020 after adjustment for inflation. This makes it difficult to comprehend and assess the changes

to the policy area allocations.

12. Specific aspects concerning individual policy areas and programmes that are also to be funded under the MFF will be commented on separately on the basis of the regulation proposals for these individual programmes.

#### Own resources reform

13. The Bundesrat recognises the Commission's efforts to simplify key elements of the EU's existing funding system and to make it more transparent.

It acknowledges the Commission's proposal for an own resources reform. It recognises the Commission's efforts to highlight a contribution to the funding of the EU's new tasks and to compensate for the United Kingdom's withdrawal through new approaches on the income side of the EU budget.

An own resources reform has also enjoyed continued support from the Bundesrat in order to create a transparent and fair system of own resources.

14. The Bundesrat shares the Commission's view that the gross national income (GNI)-based own resources should continue to be at the centre of the EU budget's income side. It reliably reflects the economic capacity of the member states, i.e.: it is simple and fair; it can be flexibly adapted to the financial needs of the EU and can be fixed without any great administrative effort. As a result, it ensures steady funding of the EU budget.

15. The Bundesrat considers the Commission's proposal regarding simplification of the VAT-based own resources to be a step in the right direction and supports its call to abolish the VAT-based own resources, particularly because it does not properly reflect the economic capacities in the member states and is complicated and administration-intensive to calculate (see BR Official Document 521/16 (Decision)).

16. It welcomes the Commission's proposal to eliminate all member state-related discounts in order to ultimately achieve a transparent system in which the member contributions are comparable. The phasing-out solution proposed by the Commission over a period of five years is considered a fair solution. However, the Bundesrat refers again to its call to replace it with a generalised correction mechanism that benefits all exceptionally highly indebted member states thanks

to its net contributions and that makes the special arrangements in favour of individual member states superfluous (see BR Official Document 521/16 (Decision), number 8).

17. The Bundesrat acknowledges the proposed reduction of the flat-rate collection costs from 20 per cent to 10 per cent, matched by the awarding of financial aid by the EU in specific cases for customs equipment, staff, and information. Simple award procedures should be found for granting financial support in individual cases.

### Flexibility and stability

18. The Bundesrat welcomes the fact that the term of the MFF and the EU funding programmes has been set for seven years again. However, it contradicts the Commission's view that the transition to a five-year funding period is essentially desirable and that it should be sought for the MFF after 2027. The Bundesrat refers in this matter to its concerns expressed in previous opinions (BR Official Document 521/16 (Decision) and BR Official Document 543/17 (Decision)).
19. The Bundesrat welcomes the Commission's ambitious timeframe which provides for adoption of the MFF by early 2019. A smooth transition to the next funding period can only be guaranteed if an agreement is reached in good time.
20. It emphasises the need, in addition to establishing priorities in the funding programmes, to be able to respond to current and future political challenges (such as refugee flows, changes in economic performance) and to be able to make funds available at short notice for new projects during the seven-year funding period.
21. For this reason, the Bundesrat acknowledges that the need for increased flexibility within the financial framework has become clearer given the numerous challenges that the Union has been confronted with in previous years. In particular, there needs to be sufficient financial leeway for rare crisis incidents.
22. In connection with this, it welcomes the proposal to increase the flexibility of the programmes and to adapt them after a mid-term review. However, it would like to point out that a compulsory mid-term review would require the programmes to start quickly. The mid-term review has to take the different prepa-

ration periods for the various types of projects into account. The flexibility of the programmes should be increased in general and the regions should be granted more freedom to make changes to the programmes without any complicated award procedures.

23. Against this background, the Bundesrat considers the Commission's proposal to redesign existing flexibility mechanisms worth discussing. However, it also reiterates its request that proposals for a higher level of flexibility are to be weighed up against the budget principles that apply to the EU budget which secure the budget powers of the EU institutions, and here in particular against the principle of speciality, and that the planning security for the resource recipients, especially in the case of multiannual EU programmes (see BR Official Document 521/16 (Decision) and BR Official Document 543/17 (Decision)), should not be called into question.
24. Against this background, the Bundesrat considers the proposals for increased flexibility in the individual programmes and between the programmes in the same section appropriate. The Bundesrat also believes in the objective of better combination opportunities of various forms of financial aid.
25. Given the option to switch between different forms of resource management, the Bundesrat stresses that care must be taken to ensure that no disincentives are created for redistribution to the detriment of the citizen-centred shared management. In the case of proposals for adaptation of national allocations for half of the term of the programmes, the principle of proportionality has to be taken into account, as do the justified interests of the regions and the member states in planning certainty.
26. The Bundesrat welcomes the Commission's proposal to fully leverage the complete leeway for funds introduced in the financial framework for 2014 to 2020 for payments.
27. It supports the proposal for an annual transferability of the new crisis reserve and also calls for access from now on for all federal states in the same manner that is not linked to prerequisites.

28. The proposals to form a Union reserve and to critically examine funding of it through greater flexibility when transferring resources for obligations from section to section and from year to year should, however, be critically examined bearing the above-mentioned principle of speciality in mind (section 23).
29. The Bundesrat is of the opinion that the EU Cohesion Policy programmes should be quickly implemented in order to trigger long-term, structural and innovative changes in the regions as swiftly as possible. It rejects the reintroduction of the “n+2” rule since it means strong administrative pressure for programme implementation, especially in the transition phase, and may lead to a decline in resources for the regions instead of quick implementation.
30. Instead, the Bundesrat is more in favour of retaining the “n+3” rule that has proven itself in the current funding period: if the currently applicable “n+3” rule is shortened, a transfer of resources that are no longer tied up from the European Structural and Investment funds (ESI funds) is only justifiable if a smooth transition to the next funding period is ensured this time and visible simplifications can also be implemented for the preparation and implementation of the programmes.

#### EU budget and rule of law

31. The Bundesrat shares the Commission’s view that bearing the rule of law in mind is an indispensable prerequisite for sound financial management and effective EU funding. It welcomes the Commission’s intention to protect the financial interests of the EU more effectively and in particular to intensify anti-fraud and anti-corruption efforts in the member states.
32. However in terms of the proposed regulation regarding “protection of the Union’s budget in the case of general deficits with regard to the Rule of Law” (BR Official Document 245/18), the Bundesrat again points out that the TEU and the TFEU lay down clear procedures for ascertaining breaches of EU law and for sanctioning them — including cutting EU resources. It still sees a risk that suspensions in the case of the ESI funds primarily affect the regional level, even if the sanctioned breaches fall under the general responsibility of the national level (see BR Official Document 543/17 (Decision)). As a result, the regulation proposal still needs to be explained and discussed.



33. The Bundesrat also points out that the criteria for the proposed sanctions are not fixed in part and that the list of them is not exhaustive. It also points out that the suspension of programme approval proposed as a sanction may lead to considerable delays in implementation and may continue to have an effect even after the alleged breach has already been stopped, which is why the Bundesrat is in favour of these sanctions being reconsidered.

#### Consideration of gender equality in the individual areas

34. Most of the programs financed with EU funds do not include any targeted measures to promote gender equality; there is an absence of gender-specific impact assessment. It is only in a few programmes that clear equality targets are fixed and earmarked resources are reported. Systematic implementation and monitoring of gender policy measures is not planned.

## II. Single Market, Innovation and Digital

### Research and innovation

35. The Bundesrat supports the Commission's efforts to strengthen the strategic research policy, innovative capacity and the European research field as well as incorporating excellence and subsidiarity as fundamental principles of European research funding. The Horizon 2020 programme plays an important role for many parties involved in Germany that enables them to continue their excellence and innovation in the future.
36. The Bundesrat welcomes the proposed structure geared towards continuity and further development under the Horizon Europe programme as well as its three newly designated and structured cornerstones. At the same time, it points out that strict separation of research and investment should be implemented in the respective programme sections. Against the background of expansion of the tasks in the newly added pillar III, the Bundesrat considers a significantly higher allocation of resources to Horizon Europe necessary.
37. The Bundesrat welcomes the Commission's plans to simplify the partnership system. It still recommends also supporting smaller association projects with fewer partners and lower project volumes, support that meets the demands of new technology, focus on innovation, and teaming and twinning projects as

well as expanding the current SME instrument with simplified participation rules.

38. The Bundesrat considers small and medium-sized enterprises (SMEs) to be the backbone of innovation-driven economies. For this reason, it proposes increasing the involvement of SMEs in the Framework Programme to at least achieve the target of 20 per cent set in Horizon 2020.
39. Europe is a knowledge-based and research-strong society that is to become even more innovative. This has to be reflected in the EU's budget too. Research and innovation must also be given top priority here to tackle economic, social and ecological challenges. This requires significantly more resources for research and innovation, even with a lower overall budget and should not just be reflected in the funding for the Framework Programme but should still also be reflected in the ESI funds. A subsequent reduction of resources during the term of the programme should not be repeated.
40. The Bundesrat therefore welcomes the proposed allocation of €97.6 billion for Horizon Europe. Nevertheless, it would also like to highlight that the “independent high-level group for maximisation of the impact of the EU programme for research and innovation” deployed by the Commission recommended in 2017 that the funds be doubled compared with Horizon 2020.
41. The Bundesrat recommends for the framework programme for research and innovation that from 2021 onward, the full potential of key technologies be leveraged with a dedicated, broad and fixed incorporation and that the administrative procedure applied for Horizon 2020 be simplified sustainably from now on. Due to the financial volume available, it encourages focusing on key European themes, funding the humanities and social sciences as a separate programme line and thus significantly increasing resources for European research funding. Furthermore, targeted strategic development of KET (key enabling technologies) is required to also safeguard Europe's technological ability to compete in the long term too. The balance designed with a long-term focus between fundamental technology development and application development should not be abandoned.

42. Furthermore, the Bundesrat points out that the common efforts of a coordinated industrial and research policy are necessary to ensure competitiveness and innovative capacity in international competition to attract businesses.
43. The Bundesrat welcomes the fact that planned defence research is not to be covered by Horizon Europe and refers in this context to its Opinion regarding a mid-term evaluation of Horizon 2020 (BR Official Document 5/18 (Decision)).
44. The Bundesrat also refers to this Opinion with regard to the further shaping of the new Horizon Europe framework programme.
45. It is against the use of European funds for research geared towards energy generated using nuclear power if this serves the purpose of extending terms or new construction. The use of EU resources in the nuclear field should focus on research for radiation protection, nuclear medicine and radiotherapy, ultimate disposal of radioactive waste and the decommissioning and dismantling of nuclear power plants.

#### European strategic investments

46. The Bundesrat acknowledges that the Commission is establishing a successor model to the European Fund for Strategic Investments (EFSI) with the “InvestEU” fund which is intended to mobilise public and private funds in the form of loans, guarantees, equity instruments or other market-based instruments for investments. The Bundesrat again points out (BR Official Document 521/16 (Decision)) that this fund is neither regionally incorporated nor managed by a programme.

A definitive analysis of the specific funding programmes will not be carried out by the Bundesrat until it delivers its Opinion on the sectoral regulations.

47. The Bundesrat welcomes the higher funding envisaged for the Connecting Europe Facility. European added value is particularly visible in expansion of the trans-European networks in all three fields — transportation, energy and digital. This also applies to investments in the transportation systems and the cross-border transportation infrastructure for which additional resources can be made available by the Cohesion Fund.

48. The Bundesrat welcomes the new Digital Europe programme. Supporting the digitalisation of industry and society is a primary task in the next few years. Europe has to further develop its ability to compete in key areas of the future such as artificial intelligence, supercomputing, cybersecurity or digitalisation of industry. This will only happen if the staff are qualified fully and accordingly.
49. In keeping with this, activities that cut the resource and energy consumption of digital infrastructure, advanced digital expertise and a high level of consumer and data protection should also be funded.

### Single Market

50. The Bundesrat stresses the importance of a smoothly functioning Single Market and particularly welcomes the focus on SMEs and continuation of the European programme for the Competitiveness of Enterprises and Small and Medium-Sized Enterprises” (COSME programme). However, the planned combination of the various programmes should not be at the expense of the COSME programme. Likewise, the success model of the European Enterprise Network (EEN), which includes support of SMEs in networking, internationalisation and innovation management should be continued.
51. The Bundesrat welcomes the programmes to combat fraud, to assist customs and to prevent and combat tax fraud, tax evasion and tax avoidance (Fiscalis). The Bundesrat supports the overarching objectives of the programme to include better cooperation, simplification of procedures, and creation of electronic structures.

### Space – European Space Programme

52. The Bundesrat welcomes the fact that the added value and importance of space travel as a segment of major technological and strategic importance is being made visible with its own area of expenditure in the MFF.
53. At the same time, it also appreciates the planned increase in the resources made available for this area. The funds are necessary to sustainably develop the Galileo, Copernicus and EGNOS programmes, among others, and safeguard Europe’s technological independence in the area of satellite technologies in the medium term.

### III. Cohesion and Values

#### Role of the Cohesion Policy and the strategic framework

54. The Bundesrat praises the Commission's acknowledgement of the Cohesion Policy as the EU's most important investment policy in its Communication and the fact that it attributes particular European added value to it. The Bundesrat again stresses in this context the importance of the Cohesion Policy for economic, social, and geographical cohesion. The Cohesion Policy conveys the Union's activity and its value to the citizens at local level like no other policy. Its main advantage primarily lies in the shared management of the programmes which enables the regions to target their specific challenges. It is good to see that this principle is also to continue to be pursued under the Cohesion Policy.
55. The Bundesrat welcomes the modernisation and recognition of the Cohesion Policy as a key pillar of the investment policy of all regions and acknowledges the restriction to the support of efficient programmes with EU added value in order to firstly yield the savings required and secondly to finance the EU's new tasks in the fields of security, migration and a global ability to compete.
56. The Commission essentially places the right emphasis with the proposed objectives for the use of the ESI funds. The prioritisation of innovation, education and skills, employment, climate protection and resource conservation, and a strong interlinked and social Europe close to the citizens creates a sound basis for the regions to continue their proven support approaches with their Cohesion Policy programmes and at the same time to also respond to new challenges.
57. The Bundesrat expects the inclusion of the objective to bring Europe closer to the citizens — which is primarily intended to serve support of socio-economic local development in urban and rural areas — to entail more flexible conditions for integrated approaches of urban and suburban development (BR Official Document 543/17 (Decision)). In order for these approaches to be implemented effectively and tailored to regional-specific demands, they must be accessible for the objectives of all funds and should not be hindered by close thematic specifications or additional indicators.

58. The Bundesrat welcomes the Commission's aspiration to further develop the intelligence specialisation. The concept has proven itself as a successful instrument for identifying the individual strengths of the regions and addressing them specifically via the ESI funds in terms of development and strengthening of EU-wide value-added chains and increasing the Union's ability to compete. However, the Bundesrat calls on the Commission to simplify the procedure for drawing up and/or continuing the regional innovation strategies and to ensure sufficient configuration options for the regions.
59. It expressly welcomes the fact that ESF is still part of the Cohesion Policy and that it remains integrated into the same section as the ERDF. However, the Bundesrat calls on the Commission to ensure that ERDF and ESF+ are still included under common political objectives to encourage synergies between the funds as well as integrated regional development approaches and that the functioning of the target systems remain comparable. The pooling of the funding tools under the social policy sought by the Commission with the ESF+ should not weaken the ESF's Cohesion Policy focus.
60. The Bundesrat is concerned about the prominent position that support of national structural reforms is to be accorded in future ESF priorities. As a Cohesion Policy fund, the ESF is primarily geared towards supporting regional needs and potential. Its targeted structure policy interventions locally in the regions and the communes help significantly to make Europe and the European objectives and priorities visible to the people. Extending the focus of ESF use to national measures to implement country-specific recommendations as part of the European Semester would significantly streamline the European added value of the Cohesion Policy.

#### Funding of the Cohesion Policy

61. The Bundesrat is aware of the conflict between the lower income due to the United Kingdom's withdrawal and additional expenditures due to the EU's new tasks. Nevertheless, it again emphasises the considerable contribution of the Cohesion Policy to tackle the ongoing EU tasks exist and the new challenges. In view of the considerable European added value of the Cohesion Policy, the Bundesrat therefore continues to call for not reducing the Cohesion Policy's portion of the EU budget and continuing to allow all regions in the EU to participate in the Cohesion Policy.

62. In this context, the Bundesrat points out that the estimate of the reform implementation in the amount of €25 billion leads to a change in real terms in the amount of the funds envisaged for the Cohesion Policy.
63. It has ascertained looking at the ESF+ that the financial resources proposed by the Commission for these funds do not constitute a true increase given the additional tasks. Given the support required by the member states with the cost of integrating immigrants, the Bundesrat expects a discernible European contribution.
64. It stresses once again that a reasonable minimum portion of the EU funds has to be guaranteed in order to execute the programmes as part of the Cohesion Policy with a division of responsibility. If the EU portion is reduced any further, this could make the support less appealing, efficient and effective. Furthermore, the Cohesion Policy has to be equipped with the funds that are required to counter growing Euroscepticism as close to the citizens as possible and to make the benefits of EU policies more visible.

#### Cohesion Policy for all regions

65. The Bundesrat welcomes the fact that the Commission essentially recognises the importance and the benefits of the Cohesion Policy for the transition and the more developed regions too and that they are also to continue to be a part of the Cohesion Policy.
66. The Bundesrat underscores in this context the special role that the transition and the more developed regions play as drivers of innovation and growth for the entire EU. These regions especially play a major part in increasing the ability to compete EU-wide and in strengthening the European value chains. At the same time, the transition and the more developed regions face growing structural challenges that require support.

67. However, the Bundesrat reiterates its call for an increase in the portions of cohesion funds made available to these regions (see Bundesrat Opinion of 15 December 2017, BR Official Document 543/17 (Decision), number 13). According to the distribution criteria proposed by the Commission for the new funding period, Germany risks a disproportionately high reduction in EU structure funds compared with other member states. However, the German federal states — as growth and innovation drivers — make an above-average contribution to the entire EU’s economic strength and to achievement of the EU’s objectives. For this reason, they should be integrated more into the structure funds support in the future.
68. As presented in the Seventh Cohesion Report (COM(2017) 583 final), regions with a gross domestic product per capita close to the average of the EU face particular structural challenges. At the same time, these regions are links playing a key bridging role and they are of particular importance for the EU-wide cohesion. The Bundesrat asks that special attention is paid to these regions under the Cohesion Policy to prevent their economic and social development from stagnating due to the “trap of the average income”.
69. The Bundesrat welcomes the increase envisaged by the Commission of the cap for the transition regions to 100 per cent of the GDP per capita in line with the EU average. However, it points out that given the related expansion of the number of transition regions there is no corresponding increase in the resources available for this. The resource volume for the transition regions should be increased accordingly on the basis of findings in the Seventh Cohesion report.

#### Resource distribution rules

70. The Bundesrat acknowledges the Commission’s aspiration to tackle current challenges such as unemployment, climate change, and the integration of asylum seekers. As a result, however, the system for resource distribution should not be made more complicated.
71. The Bundesrat essentially welcomes the fact that the so-called “Berlin formula” to distribute the resources and the relative GDP per capita should be retained as the key criteria for resource allocation under the Cohesion Policy. The relative GDP per capita has proven itself in the ongoing funding period as an objective and reliable indicator.



72. As regards additional indicators, the Bundesrat emphasises that they should only influence resource distribution if their impact is not already mapped indirectly in GDP per capita as an indicator of economic power. Against this backdrop, it considers the indicators proposed by the Commission for the “Berlin formula” — particularly the reception and integration of refugees as well as the decarbonisation — to be interesting approaches that affect the entirety of the EU as long-term challenges. The other indicators proposed by the Commission, particularly youth unemployment, cannot be separated from the main indicator of GDP per capita to a comparable extent.
73. By contrast, the Bundesrat suggests taking specific demographic problems like the ageing population and in particular the ageing labour force into account as an additional indicator under the “Berlin formula.” The reduction in the proportion of the working age population as a result of ageing is a major demographic disadvantage that negatively impacts the ability of the regions to innovate and as a result their ability to compete and their economic performance to a huge extent in the medium to long term. It also takes the opportunity here to note that taking the demographic disadvantages into account in the Cohesion Policy as rationale is enshrined in primary law.

#### European Territorial Cooperation

74. The Bundesrat regrets very much that the Commission recognises the significant European added value of the European Territorial Cooperation (INTERREG) but nevertheless intends to cut the total resources as well as its portion of resources for the Cohesion Policy. This applies in particular to the substantial cuts at the expense of the cross-border cooperation as well as the waiver of financial allocations for project-based cooperation within the proven INTERREG Europe programme. The INTERREG funding is based on the concept of meetings and the exchange of experiences which allows the citizens to experience Europe directly. It motivates people to build bridges and to work together beyond borders. In doing so, it makes a major contribution to European integration and to supporting good neighbourly relations in Europe. INTERREG should not become less important in times of growing Euroscepticism.
75. For this reason, the Bundesrat calls for INTERREG to receive funding in the coming MFF that is at least as much as that in the current funding period.

76. However, the prioritisation of economic cooperation and innovation should not lead to other key areas of priority that are of significant importance for the future, especially in view of the increasing tension within the EU, being pushed into the background. This primarily relates to cooperation projects between citizens, institutions, and administrations.
77. The Bundesrat praises the Commission's efforts to give more due consideration from now on to the multi-state nature of the INTERREG programmes in the rules for the management and control systems and the implementation of INTERREG.
78. It welcomes the fact that the Commission gives clear precedence to EU law over national law, but regrets that it has not declared sole ruling on the basis of EU law. This means that uncertainty still remains for the transposing authorities when implementing the programme.
79. The Bundesrat also strongly reiterates its call for INTERREG to be completely excluded from the aid schemes (see BR Official Document 543/17 (Decision)) and asks the Commission to improve its proposals for future INTERREG support in this regard.

#### Economic policy coordination, conditionality and national co-financing

80. The Bundesrat supports the approach expressed in the proposal to promote the necessary structural reforms in connection with the European Semester more from now on, using positive incentives instead of sanctions.
81. It reiterates its concerns regarding the planned strong tie of the ESI support to economic governance as part of the European Semester (see BR Official Document 521/16 (Decision)) and BR Official Document 543/17 (Decision)). With regard to the statement contained in the Communication that from now on the regional components are to be taken into account more in the tie between the Cohesion Policy and the European Semester, the Bundesrat sees a need for some explanation. In any case, this should not lead to a further increase in administration and reporting requirements for the ESI funds.

82. The Bundesrat refers to the inconsistency of the proposal of a closer tie between the EU budget and the European Semester in terms of economic policy coordination since the regional policy programmes are geared towards a long-term impact and the recommendations under the European Semester, which are of more of a short-term nature, cannot be tied in directly with support in regional policy.
83. While the annual country-specific recommendations are geared towards the member states, planning and implementation of the ESI funds' long-term programmes are often the responsibility of the regions. Furthermore, the ESI funds can only support country-specific recommendations if there is a material connection with the content of the ESI fund programmes.
84. As regards the Commission's announcement and intention to maintain the macroeconomic conditionalities as a support prerequisite, the Bundesrat again stresses its rejection of the macroeconomic conditionalities (see BR Official Document 521/16 (Decision) and BR Official Document 543/17 (Decision)).
85. The Bundesrat is extremely critical of the proposed increase in national co-financing. It points out that the proposed reduction in EU co-financing, especially for the German transition regions, constitutes a considerable cut and is very troubling for the existing support systems. The Bundesrat therefore calls on the Commission to develop rescue solutions for those regions affected by the disproportionately high cuts. At the same time, it again highlights that the high demands proposed on the national co-financing in regions with comparably low support intensity could lead to support via the ESI funds becoming unappealing in general.
86. It rejects an increase in national co-financing over 50 per cent and points out that the portion of EU financing to date has to be guaranteed as a minimum. Only then is it possible to implement the programmes as part of the EU Cohesion Policy with shared responsibility efficiently and effectively. The proposed reduction of the EU portion would lower the cost-effectiveness and the administrative effort would then jeopardise an appealing Cohesion Policy, which plays a major role in the stabilisation of the regional economy.

#### Implementation of the programmes and simplification

87. The Bundesrat is strongly in favour of the increased interaction with other programmes in order to significantly increase the efficiency of measures in the future. However, this should not be at the expense of the support offering for SMEs and for start-up firms. As regards the newly proposed programs at EU level, it is important to improve the coherence of the support programmes since even the centrally managed European programmes affect the regions and also the parties involved locally.
88. The Bundesrat points out that improved coordination of the support tools has to be possible with no additional administrative effort. The various support programmes should offer complementary possibilities and improved handling for the beneficiaries and should not further increase the complexity of the support landscape.
89. In this context, it calls for major simplification of the rules for managing the ESI funds. In particular, a thorough review and reduction of the European programme requirements and the management and control systems is mandatory. The aim should be to create straightforward rules. Care must be taken to ensure that there is comprehensive legal certainty regarding the rules to be observed already at the beginning of the programme planning period and that this is not supplemented with many delegated regulations that hinder the start of the individual programmes. One example is the single audit principle in the audit system, which should be strengthened. A single check by an audit agency locally is not enough.
90. The Bundesrat welcomes the strong results-driven approach in all areas of EU policy, even in the Cohesion Policy. However, it points out that a results-driven focus instead of a cost-driven focus may lead to target and implementation conflicts since ex-ante and ex-post results can be fixed and analysed less specifically.
91. The Bundesrat supports proportionality in monitoring of the results. The cost-benefit relationship of the indicator system applied has to be improved. Reporting must also be simplified in order to easily record results with a few effective indicators. Simpler evidence obligations that use flat rates should help simplify implementation and make it more efficient.

The EU's audits should essentially focus more on combating fraud and corrup-

tion. However, the Bundesrat does not consider the ARACHNE tool proposed for this purpose by the EU to be suitable.

92. The Bundesrat also refers to the considerable bureaucratic effects of the performance reserve used to date. For this reason, it believes that the performance reserve should be dropped for the sake of simplification.
93. The accompanying evaluation is overly large in its existing form and has to be reduced to an appropriate level. The Bundesrat stresses that evaluations should not be carried out shortly after the support programmes have begun in order to yield usable findings from the evaluation.
94. It welcomes the Commission's proposals to reduce the administrative burden through synergy effects and achieve alignment of the funds' implementation provisions. It is also strongly in favour of the aim in execution to differentiate with simplified management and control systems for programmes with a positive record and the option to access existing administration and control systems — and particularly to waive the need for a repeated design in doing so.
95. For this reason, the Bundesrat welcomes the systematic implementation of the single audit approach. It is in favour of applying this approach to all shared fund management programs. However, this must not lead to requirements of the national audit systems being increased disproportionately by the EU.
96. The Bundesrat supports all farther-reaching approaches for simplifications and states that a focus should be on restricting the audit depth of the Commission auditors to viability checks.
97. Looking to the Commission's announcement, it calls for substantial simplification and streamlining of provisions for state aid.
98. The Bundesrat welcomes the proposed aims of the Cohesion Policy which makes the regions more future-proof and is intended to enable them to build on their respective potential and to leverage it as much as possible. However, the decision regarding the focus of interventions should be left to the regions and member states since they are best placed to boost their strengths and compensate for their weaknesses. The Bundesrat rejects a general obligation to use financial instruments in the next funding period.

99. It welcomes the fact that the Commission has not proposed any mandatory minimum requirements for financial instruments. The usefulness of support using financial instruments always depends on the individual case. The decision regarding the type of funding should be reserved at national / regional level in order to take a decision about the use of financial instruments depending on several specific factors (e.g. the type of projects, the general economic situation, the interest rate level).

### Economic and Monetary Union

100. The Bundesrat welcomes the Commission's intention to strengthen the Economic and Monetary Union (EMU). It stresses here that the ability of the member states to compete is of great importance for the stability of the EMU. Strengthening this and setting the corresponding incentives to reform must be a core aim of economic policy.
101. The Bundesrat acknowledges that the Commission accords high priority to the execution of growth-enhancing structural reforms in the member states.
102. The Bundesrat is of the opinion that the added value of the Reform Support programme proposed by the Commission is specifically found in the tool for technical support which will enable reform-willing member states to receive technical administration support from the Commission's Structural Reform Support Service or technical assistance from another provider. By contrast, the need for the proposed resources for the reform implementation tool of €22 billion is not adequately justified in terms of reason or amount.
103. The Bundesrat is concerned that the sharp demand for resources under the current programme for structural reform could also depend on deadweight effects, i.e. reforms that could also have been implemented without the programme are being supported. The programme should be flanked by measures that aim to minimise the deadweight effects.
104. The Bundesrat is also critical of the proposal to create an independent Reform Delivery Tool for national reforms, e.g. on the product and labour markets, for tax reforms, or for education reforms because it can be assumed that the resources earmarked for these funds are to be financed by the proposed cuts in the ESI funds. However, structural reforms can only

have a long-term impact if they are flanked locally by specific structural policy measures (innovation funding, SME funding, etc.) as is the case under the Cohesion Policy.

105. For this reason, the Bundesrat reiterates its request that in the following funding period the funding of measures to support the reform commitments of the member states should not be at the expense of the ESI funds in shared management and the related regional freedom in programming of funds (see BR Official Document 749/17 (Decision)).
106. It acknowledges the proposed European Investment Stabilisation Function.

#### Investing in people, social cohesion and values

107. The Bundesrat also acknowledges the fact that ESF+ supports implementation of the European Pillar of Social Rights and is intended to act as the most important EU instrument for investment in human capital at over €101 billion. This includes pooling the current tools — the ESF, the Youth Employment Initiative, the Fund for European Aid to the Most Deprived, the Employment and Social Innovation programme and the EU Health programme. The Bundesrat expects that the ESF+ will also be visibly supported by the needs-driven support of employment, qualification and social integration.
108. The Bundesrat welcomes the Commission's proposal to significantly expand the Erasmus+ programme. There is no mistaking that the programme has played a major part in increasing mobility and the exchange between Europeans since it was established. However, the Bundesrat also points out that there is still an imbalance between participation in the academic and non-academic context. There are many reasons for this and they cannot simply be eliminated by launching the programme. Parts of the education systems, particularly in the field of vocational training, vary greatly, for example. For this reason, funds for a structured exchange of experiences between the member states should also be earmarked in the direction of the new programme as this would ultimately facilitate European mobility.
109. It welcomes the fact that the Commission intends to pool and substantially strengthen the existing supporting tools for aid work and volunteering with

the planned direction and provision of the European Solidarity Corps. At the same time, it emphasises that this must not lead to mixing aid work and volunteering with employment in the social field.

110. The Bundesrat acknowledges that under its proposal for justice, rights and values, the Commission provides for moderate growth in the rights and values area. In view of increasing populist and nationalist trends and the debates surrounding adherence to the rule of law and values in some member states of the EU, a stronger commitment by the EU in these areas is imperative and welcome.
111. By further pooling specific programmes that currently exist for equality and combating (sexual) violence (Daphne), the transparency necessary to ascertain the extent to which resources are used for these aims is lost. The Bundesrat regrets very much that these two issues are no longer specifically mentioned under the future “Rights and Values” category.
112. The Bundesrat also regrets that the current programme for funding civil involvement (“Europe for Citizens”) is not mentioned. It is of the opinion that the programme’s aims will also need European funding after 2020. If there are plans to implement this under the Justice, Rights and Values programme, the funds for this would have to be increased compared with the Commission’s approach.
113. By contrast, the Bundesrat welcomes the fact that the “Creative Europe” programme will remain as an independent one. The Bundesrat also welcomes the proposed reinforced funding for this programme.

#### IV. Natural Resources and Environment

##### General

114. The Commission has set itself the task of gearing the budget more towards European added value, bundling resources and yielding results through this that would be unachievable for the member states on their own. Using European added value as a compass for allocating European resources is welcomed. An intact environment, clean soils and water, the protection of biodiversity and good air quality are vital for everyone and are incorporated in



many of the EU's regulations and specialised policies. The achievement of these standards set by the EU is demanding and necessary. The Bundesrat is in favour of also using European added value as a guide for environmental funding and agricultural policy.

#### Agriculture and maritime policy

115. The Bundesrat is in favour of the environment and the climate being placed higher on the agenda in the reformed agricultural policy and the Commission intends to support the transition toward a more sustainable agricultural sector and toward the development of dynamic rural areas.
116. However, the Bundesrat doubts in this regard whether the Commission's proposals for the future financial framework constitute suitable approaches for adequately supporting agriculture and forestry and the rural regions further while also meeting existing and new challenges such as food safety, helping the countryside flourish, high standards in agricultural production and contributions to climate and water protection or to maintaining biodiversity and achieving the European targets in climate and environmental protection and nature conservation.
117. It especially criticises the disproportionate cuts in the second pillar of the CAP. This intervention is at the expense of the rural areas and contradicts the stronger environmental protection and nature conservation sought by the Commission as well as the contribution to the EU's climate and resource protection targets. The new CAP has to be able to fund the national aim of expanding organic farming to 20 per cent of the agricultural land.
118. The Bundesrat rejects an increase in the co-financing rates for the second pillar of the CAP. In order to avoid competition for the lowest environmental standards, it also sees a need for a single minimum standard throughout Europe in the field of environmental protection and nature conservation and considers it necessary to also take this into account sufficiently in programme design at a European level.
119. The Bundesrat is extremely critical of the lower EU co-financing proposed in terms of involvement in the development of the rural areas (EAFRD / second pillar of the CAP). For the German support regions that currently

fall under the transition region category in particular, it constitutes a drastic cut that hardly be borne by existing funding systems. In light of this, the Bundesrat emphatically rejects abolition of the category of transition regions under the EAFRD. Alternatively, it calls on the Commission to develop transition solutions for the regions affected with regard to the co-financing rates. At the same time, it stresses that the high demands proposed on the national co-financing in regions with comparably low funding intensity could lead to funding via the EAFRD becoming unappealing in general.

120. The Bundesrat welcomes the fact that the transferability of the resources between the two CAP pillars is to remain permissible.
121. It refers to its Opinion on the Commission's reflection paper about the future of the EU finances (BR Official Document 543/17 (Decision)) and reiterates its call for a well-funded and simplified CAP.
122. In particular, the implementation of the new performance model on the basis of the impact and/or results and output indicators should not lead to any excessive bureaucracy and must enable sufficient national and/or regional flexibility. Germany's federal structure also needs to be taken into account in a new delivery model.
123. The Bundesrat emphasises that the new implementation structures should not lead to support from the EAFRD being centralised at national level and that regional freedom be lost. Programming of the regional EAFRD rate must also be left to the federal states. The newly planned CAP strategy plan at federal level instead of the individual development plans of the respective federal states contradicts Germany's federal constitution. The additional administration level that this would entail for the German government to implement the CAP parallel to the existing administration structures in the federal states have to be avoided. The Bundesrat calls on the Commission to ensure that cross-support funding approaches between the EAFRD, the ERDF and the ESF remain possible and the regional cooperation between these funds is not hindered by any additional regulatory or bureaucratic obstacles. The partnership principle with the EAFRD has to continue to be taken into consideration at regional level. This primarily requires the option of being able to continue the regional monitoring committees.

124. In implementation of the aim to make distribution of direct payments to the farmers more balanced, the member states need adequate leeway to be able to sufficiently take the diverse agricultural structures and jobs in rural areas into account. The resource caps and the decision regarding degressive payments or redistribution of direct payments based on maximum thresholds must stay in the member states or in the regions.
125. The Bundesrat rejects EU-wide rules for binding caps per business.
126. In connection with this, the Bundesrat refers to the aid rules which will continue to have to stay in line with the provisions of the CAP and are to be applied with any co-financing or national compensation programmes and would result in high economic disadvantages due to heterogeneous business structures.
127. The United Kingdom's withdrawal from the EU places specific challenges on the fisheries sector over the next few years. For this reason, it is to be welcomed that the MFF also wishes to adequately fund the European Maritime and Fisheries Fund (EMFF). A critical review will be required as to what portion of the resources are actually able to be used for the central aim of improving the ability of the fisheries sector and the fishing industry, which includes aquaculture, to compete.
128. The success of the EMFF for the fisheries sector will primarily depend on this. It is imperative that the excessive bureaucratic hurdles of the current funding period are reduced. At the same time, an increase in the ability to compete of the fisheries sector will only be manageable if examination is more strongly regionalised. The ability of all fleet segments, such as German shrimp fishing, to compete can be maintained by significantly rejuvenating the fleet. For this reason, it is important in those marine areas and fleet segments in which there is a balanced relationship between the fleet size and the fishing opportunities to also enable support of new construction.
129. Aquaculture in Germany plays a valuable role in increasing fish self-sufficiency levels. High environmental and animal protection standards guarantee sustainable production of high quality foodstuffs but constitute a great challenge for Germany's ability to compete in aquaculture. For this

reason, the support of aquaculture businesses is essential to maintain and further expand this industry.

130. The environmental benefits that the very extensive and sustainably managed pond fish cultures generally bring serve to maintain historic cultural landscapes, valuable ecosystems and protected species and must be rewarded unbureaucratically. Ways must be found in the future direction of the EMFF that reduce the current level of monitoring to a minimum, cut the high portion of administration costs and allow pond farms easy access to support. Furthermore, the support of regional development strategies and local marketing strategies is important in order to highlight the matter of sustainability and the circular economy in line with the excellence of the native fish.

#### Climate action and environmental protection

131. The Bundesrat welcomes the fact that the Commission intends to meet its international obligations in the areas of climate protection and biodiversity with the future EU budget. It shares the opinion that greater ambition is required for the environment and climate protection.
132. With regards to the increased percentage of EU expenditure for climate protection from 20 per cent to 25 per cent, it nevertheless stresses that strong set quotas can reduce the breadth of application of the budget, which for example is not always appropriate in support of regional development.
133. The Bundesrat supports the proposed continuation and strengthening of the programme for environmental and climate action (LIFE). Improved conditions for synergies between LIFE and the Cohesion Policy / GAP are desirable. It also welcomes the expansion of the programme to include energy transition: for regions that are facing structural change processes caused by the energy transition, fair burden-sharing is required in capacity building, investment activities, innovation support, and policy implementation.
134. The Bundesrat specifically welcomes the increase in the support for LIFE funds and recognises that the Commission is sending an important signal here. It considers expansion of the LIFE programme to include the energy transition to be positive as long as urgently needed funding for environmen-

tal and climate action is not reduced. The Bundesrat points out that the LIFE programme is aimed at the exemplary development and application of innovative solutions. This cannot compensate neither in extent nor in target achievement to less support or an increase in resources actually required for agri-environmental measures (AEM). For sustainable protection of the LIFE measures, correspondingly designed and sufficiently funded AEMs are indispensable. Improved conditions for synergies between LIFE and the Cohesion Policy / CAP are desirable.

135. The Bundesrat supports the Commission's objective of strengthening small and medium-sized enterprises and thus enabling a diverse agricultural structure.
136. It welcomes the Commission's plans to set more ambitious aims for the inclusion of climate concerns in all EU programs and to plan for every fourth euro of EU expenditure contributing to achieving climate goals. At the same time, it points out that a climate protection-effective use of funds must be ensured and that higher coherence of the various political fields is required. Care must be taken to ensure that climate change adaptation measures are also supported in addition to measures to reduce CO<sub>2</sub>.

## V. Migration and Border Management

### Migration

137. From the Bundesrat's point of view, it is right and important that the Commission has devoted a great deal of attention to the issue of migration for the new MFF. An effective, responsible and sustainable migration, integration and return policy requires the cooperation and solidarity of all member states.
138. The allocation of funds for these expenditures must take into account the high migration pressure and admission levels of the individual member states since the migration flows of 2015 / 2016, particularly with regard to the correspondingly high need in terms of vocational qualifications and integration into the labour market.

139. However, the proposed reinforcement of the Asylum and Migration Fund falls short, particularly when compared with the level of expenditure planned for border management. From the Bundesrat's point of view, it must be ensured that sufficient funds are made available for the integration of migrants in the member states that have taken on this joint European task. The countries should not be burdened with additional administrative effort when executing the programmes of the Asylum and Migration Fund.

### Border management

140. The Bundesrat welcomes the significant increase in funds proposed by the Commission for border management. It therefore considers set-up of the new fund for integrated border management to be a systematic and important step toward guaranteeing essential protection of the EU's external borders to maintain a zone of freedom, safety and rights and to counter the current challenges. The financial need of the European Border and Coast Guard agency is increasing in particular due to further implementation of the new Frontex regulation and the possible further development of a European border control police force.
141. Given that for successful work as part of the common European asylum system and effective border management the agencies responsible, EASO, euLISA and FRONTEX have received a major increase in their tasks, the Bundesrat believes that an increase in resources for this is plausible and correct.

## VI. Security and Defence and Crisis Response

### Security

142. From the Bundesrat's point of view, it seems appropriate in view of the increase in security threats in Europe to earmark more funds than before for the joint fight against terrorism and radicalisation, organised crime and cybercrime as well as for the support and protection of victims of offences and to implement these responsibilities with suitable funding tools. However, care must be taken here to ensure that this does not lead to additional expenditures for the federal states.

### Defence

143. The Bundesrat refers to its Opinion of 15 December 2017 (see BR Official Document 543/17 (Decision)) regarding the need for cooperation in the field of defence and assumption of responsibility for own safety. In it, it stresses the need to avoid duplications between member states and to ensure the interoperability of its defence nature in order to achieve the objectives cost-effectively and efficiently.
144. It also acknowledges the resources earmarked for military mobility. In this context, it emphasises that suitable processes must be ensured so that these funds allocated to the Connecting Europe Facility can be used for both civil and military use.

### Crisis response

145. Regarding the Commission's proposals for the Civil Protection Mechanism, the Bundesrat refers to its Opinion of 2 March 2018 (see BR Official Document 756/17 (Decision)) in which it states that the new Civil Protection Mechanism with rescEU units planned is not necessary. The Union is not free to operate independently in this respect and this should not be introduced through the Commission's proposed resolution either. All legislative measures and related authorisations for the Commission and additional obligations of the member states must therefore be under due consideration of the subsidiarity principle. In light of this, the Bundesrat rejects the increased resources planned under the MFF in the communication for rescEU units as central European resources. The approaches created in the financial framework should be without prejudice to building such capacity. However, it recognises the Commission's support efforts for reinforced funding and an increase in the coping capacities as part of the European Aid Reserve and the rescEU resources integrated into the Reserve under Article 11 of Resolution No. 1212/2013/EU which are also used for cross-border assistance. An increase in the financial framework for co-financing of the units under Article 11 of Resolution No. 1212/2013/EU is understandable if considerations regarding negotiation approaches between the Commission, the member states, and the mediation of the Bulgarian Council presidency are put aside.

146. The Bundesrat points out that as regards the civil protection plans, the Commission has no controlling authority over the member states that would allow sanctioning in the sense of ex-ante conditionality in relation to the funds under the ESI funds. Wherever resources for disaster prevention are used, a cut in resources would be counter-productive due to risk management classified as insufficient by the Commission. At the same time, the proposed regulation of awarding of ESIF resources would considerably increase the complexity and thus the administrative burden.

## VII. Neighbourhood & the World

147. The Bundesrat acknowledges the Commission's proposal to pool most of its external action instruments into a Neighbourhood, Development and International Cooperation Instrument. It shares the Commission's aim to create greater coherence and synergy effects, particularly by closely linking foreign, security, climate change, migration and development policy.
148. It also points out that the primary objective of European development cooperation under Article 208 paragraph 1 sentence 3 of the TFEU is combating and eradicating poverty. Furthermore, it reaffirms its conviction in its Opinion of 15 December 2017 on the Commission's Reflection Papers (see BR Official Document 543/17 (Decision)) stating that combating the structural causes of poverty and growing global inequality can also help to reduce the motives for flight. However, development cooperation should not primarily become a migration policy instrument due to the objectives set under primary law alone. Care must therefore be taken to ensure that independence of objectives and the necessary funding for the EU's development cooperation are kept.
149. The Bundesrat welcomes the fact that additional resources, and even private ones, are to be mobilised building on the European External Investment Plan and the European Fund for Sustainable Development. However, it also points out that subsidies are critical in addition to guarantees and loans if development in the partner states is to be funded sustainably. This especially applies if it improving fundamental state services such as education, vocational education and health is involved and if rule of law and institution building is to be advanced.



150. The Bundesrat essentially welcomes integrating the European Development Fund into the EU's budget. This step serves budget transparency and can encourage policy coherence. However, the Bundesrat expresses its concern that the United Kingdom has contributed substantially to the European Development Fund to date. It is not in favour of reorganisation, which would make the financial participation of states that are not part of the EU impossible in the future.
151. The Bundesrat stresses the importance of decentralised development work at regional and communal level, especially in view of the exchange of experiences between subnational parties involved and implementation of Agenda 2030 and given the stronger connection to civil society engaged in development policy in the member states. It asks the Commission to support opportunities for decentralised development work with the concrete form of foreign policy from 2021 strengthened through the corresponding programmes.

#### VIII. European Public Administration

152. It welcomes the Commission's efforts to organise the work of European public administration as efficiently as possible and its attempt to make the most of synergies and efficiencies. However, it finds the expenditures for administration disproportionately high compared with the current MFF. In this context, the Bundesrat refers to the simplifications of management and control systems sought by the Commission, particularly in the case of shared management instruments. They should enable administrative efforts within the Commission to be reduced and savings.

#### IX. Course of action

153. In addition, please also refer to the Bundesrat Decision of 15 December 2017 regarding the Commission's Reflection Papers, particularly on the future of EU funding (see BR Official Document 543/17 (Decision)).
154. The Federal Government is asked to involve the federal states at expert level in the forthcoming discussions and to provide support in appointment of a Bundesrat representative for the corresponding EU bodies.

X. Direct submission of the Opinion

155. The Bundesrat will transmit this Opinion directly to the Commission.