



EUROPEAN COMMISSION

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C(2017) 1637 final*

Dear President,

The Commission would like to thank the Bundesrat for its Opinion on the Communication from the Commission to the European Parliament and the Council "Mid-term review/revision of the multiannual financial framework 2014-2020; An EU budget focused on results" {COM(2016) 603 final}.

The Commission has presented a comprehensive review of the functioning of the multiannual financial framework at mid-term, taking stock of achievements and of the need to react to major unforeseen challenges such as the migration and security crises. This review underpinned a number of proposals, presented together with the Communication, with the aim of topping up funding for the Union's main priorities and needs in the areas of jobs and growth and migration and security, creating more flexibility for the European Union budget and of simplifying the financial rules for beneficiaries, in line with the "Budget Focused on Results" approach.

The Commission welcomes the Bundesrat's support for the overall reform objectives of simplification and increased flexibility, including the need for sufficient budgetary room to react to crises and unforeseen events. It notes that the positive evaluation of programmes in the areas of research and innovation, transport and energy infrastructure is shared.

Concerning the Bundesrat's criticism of the European Fund for Strategic Investments, the Commission is aware of the geographical and sectorial imbalances in its implementation. The progressive scale up of the technical assistance delivered by the European Investment Advisory Hub, notably by establishing partnerships with national entities, and the changes proposed for the continuation of the European Fund for Strategic Investments should ensure a more balanced distribution of investments. Given the real but modest recovery of growth in the European Union, the continuation of the successful European Fund for Strategic Investments is deemed necessary to continue bringing investment back to its long-term sustainable trend.

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President of the Bundesrat
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While the goals of the European Fund for Strategic Investments and the European Structural and Investment Funds are different, certain investments under the European Fund for Strategic Investments also contribute to objectives of the Cohesion policy. This is the case, in particular, for the set-up of investment platforms in areas such as energy efficiency, for instance.

The Commission welcomes the Bundesrat's recognition of the efforts to achieve simpler and more flexible financial rules as from 2018 without complicating the implementation of ongoing programmes. As part of the Mid-term review/revision, the Commission has proposed in a single act an ambitious revision of the general financial rules accompanied by corresponding changes to the sectorial financial rules set out in 15 legislative acts concerning multiannual programmes¹. In response to the Bundesrat's concerns, this proposal included measures for more effective use of financial instruments, better complementarity of the European Structural and Investment Funds and the European Fund for Strategic Investments and reinforcing the single audit approach. Any major review of the European Structural and Investment Funds rules should be looked at in the context of the preparation of the next multiannual financial framework. The Commission would like to refer to its detailed reply to the Bundesrat's Opinion of 16 December 2016 on the Commission proposal COM(2016) 605 final .

Finally, the Commission takes note of the Bundesrat's suggestions as to the priorities, duration and structure of the next multiannual financial framework. These suggestions will be taken into consideration as appropriate in the preparation of the Commission's proposal, together with the results of the stakeholders' consultations on individual policies and the Budget Focused on Results Conference planned for September 2017.

The Commission looks forward to a continued political dialogue with the Bundesrat in the next future.

Yours faithfully,

*Frans Timmermans
First Vice-President*

*Günther H. Oettinger
Member of the Commission*

¹ Proposal for a Regulation of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union and amending Regulation (EC) No 2012/2002, Regulations (EU) No 1296/2013, (EU) 1301/2013, (EU) No 1303/2013, EU No 1304/2013, (EU) No 1305/2013, (EU) No 1306/2013, (EU) No 1307/2013, (EU) No 1308/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014,(EU) No 283/2014, (EU) No 652/2014 of the European Parliament and of the Council and Decision No 541/2014/EU of the European Parliament and of the Council, COM(2016) 605 final.