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**OPINION**

**Shock-proofing European regions: Strengthening local and regional economic resilience in the strategic evolution of the Single Market**

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| THE EUROPEAN COMMITTEE OF THE REGIONS (CoR)* underlines that some Member States have been hit harder than others by recent crises and the impact on regional economies has also been asymmetrical. Depending on their vulnerabilities, their ability to withstand and recover from shocks has proven to be very different;
* calls on the next European Commission to work to strengthen the resilience dimension in its policy tools, and particularly those related to competitiveness and the Single Market, with the aim to further bolster economic resilience and long-term growth across the EU;
* underlines the importance of the ‘do no harm to cohesion’ principle; calls for exploring, in a similar fashion, the possibility of implementing a ‘do no harm to resilience’ principle in EU policy-making;
* underlines that diverse and secure supply chains, as also highlighted by the Letta Report, are critical to protect the Single Market and form the foundation of economic resilience;
* in addition to boosting renewable energy production, underlines the potential of nuclear energy to increase the EU’s energy resilience and independence and to meet its decarbonisation objectives; welcomes the recognition of nuclear power as a strategic technology in the Net Zero Industry Act (NZIA);
* calls for increased attention to comprehensive security and security of supply across the EU;
* underlines that investments in the infrastructure and accessibility of regions are critical to strengthen their economic resilience and the Single Market, and calls for enhanced consideration for specific regional vulnerabilities, such as those of the external border regions, outermost regions, and regions suffering from severe and permanent natural or demographic handicaps;
* highlights the importance of resilient external land and sea border regions, as geographical gateways to the European Union, for the security and resilience of the EU and calls for this to be taken into account in future competition and cohesion policies, emphasising the importance of solidarity with EU border regions and the unique challenges they face, including those arising from irregular migration; in this context, believes that European resources for making the EU's external borders more secure should be increased.
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| **Rapporteur:**Ilpo Heltimoinen (FI/ECR), Lappeenranta City Councillor**Reference document(s):**None |

 **Opinion of the European Committee of the Regions –
Shock-proofing European regions: Strengthening local and regional economic resilience in the strategic evolution of the Single Market**

1. **POLICY RECOMMENDATIONS**

THE EUROPEAN COMMITTEE OF THE REGIONS (CoR)

# recalls how recent crises, such as the COVID-19 pandemic and Russia’s unprovoked and unjustified military aggression against Ukraine, but also the financial and debt crises, have significantly disrupted – and the migration and climate crises have affected – the Single Market and the competitiveness of regions throughout the EU, highlighting the importance of strengthening regional economic resilience;

# underlines that the territorial impact of recent crises has not been the same everywhere. Some Member States have been hit harder than others, and regional impact within Member States has also been asymmetrical. Depending on their vulnerabilities, regional economies’ ability to withstand shocks and to recover from them has proven to be very different;

# highlights the intertwined nature of resilience and competitiveness in regional development, recognising that robust resilience strategies are fundamental to sustained economic competitiveness and development;

# emphasises that a holistic perspective on resilience is necessary on the regional level, including economic, social, geopolitical as well as green and digital resilience[[1]](#footnote-1), and highlights the importance of proactive measures to combat the underlying drivers of shocks in these fields, such as geopolitical instability, demographic decline and climate change;

# calls on the next European Commission to work to strengthen the resilience dimension in its policy tools, and particularly those related to competitiveness and the Single Market, with the aim to further bolster economic resilience and long-term growth across the European Union; in doing so, the EU can contribute to efforts to avert crises, while ensuring that these efforts respect the principle of subsidiarity;

# underlines the importance of the ‘do no harm to cohesion’ principle; calls for exploring, in a similar fashion, the possibility of implementing a ‘do no harm to resilience’ principle in EU policy-making, to enhance the coherence between regional resilience and EU policies, ensuring that EU policy-making considers the aspect of socio-economic resilience of EU regions, particularly via territorial impact assessments;

# welcomes the European Commission’s efforts to make economic resilience a central element of its strategic foresight policy tools, such as its annual Strategic Foresight Reports, but regrets the current lack of a true, in-depth regional dimension in the analysis of economic resilience and, as a consequence, the absence of an appropriate regional dimension in its policy tools in this field;

# welcomes the fact that the importance of economic resilience is underlined in Enrico Letta’s High-Level Report on the future of the Single Market[[2]](#footnote-2) and recognises merit in many of the Report’s proposals to increase Europe’s economic resilience; believes, however, that a more nuanced approach to economic resilience specifically is needed;

# calls on all key institutional players to consider the strong interlink between economic competitiveness, sustainability and resilience in their policy work and during the upcoming debates concerning the Single Market’s future;

**Evidence-based resilience building**

# notes that the availability of up-to-date and accurate regional economic data can provide policymakers with essential insights into regional vulnerabilities and adaptive capacities, thereby facilitating increasingly knowledgeable, regionally-sensitive decision-making and more accurate policy planning;

# accordingly, underlines the importance of access to harmonised economic resilience data from across all regions for designing appropriate support tools for regions and developing efficient criteria to strengthen regional economic resilience;

# welcomes the Joint Research Centre’s creation and development of regional resilience dashboards and underlines that developing an increasingly regionalised version of the resilience dashboards would make it possible to identify region-specific vulnerabilities and capacities and help regions identify their strengths and areas of improvement;

# calls for such regional resilience dashboards to be made operational as soon as possible so their indicators can be taken into account in due time when designing and implementing relevant EU policy tools; requests that once they are operational they are appropriately integrated into the European Semester’s Spring Package, similarly to the current resilience dashboards;

# notes that NUTS 2 level regional data is still not available in sufficient quantities, with intra-country data availability often being heterogenous, and that NUTS 1 level data availability is higher but still incomplete; suggests that, where necessary, additional data could also be collected at NUTS 3 level to complement NUTS 2 level data in order to better identify the areas’ specific vulnerabilities. The aim should be to map the urban-rural typology of NUTS 3 regions with data, thus contributing to evidence-based and place-based policies;

# accordingly, highlights that the effectiveness of regional data collection is often contingent on the level of modern infrastructure and digitalisation, underlining the necessity of further investing in less-developed regions to ensure comprehensive and reliable data availability across the EU; draws also particular attention to the unique challenges of regions with natural and demographic handicaps, where the lack of homogeneous statistical data makes it difficult to develop policies tailored to these regions;

# points out the benefits of ‘digital twins’ for the sustainable and resilient development of local and regional authorities. Digital twins can link basic geodata to technical information; this kind of digital mapping of a geographical area allows for analysis of situations and targeted modelling of scenarios in order to prepare informed and sustainable decisions;

**Fostering regional diversification and comparative advantages**

# underlines the potent role of economic diversification within European regions as a crucial component of resilience-building efforts through targeted investments to stimulate entrepreneurship and industry diversification;

# emphasises the crucial role of SMEs in diversifying regional economies and supply chains, and thereby contributing to regional economic resilience, as the dependence of regions on a limited number of big employers increases their susceptibility to economic shocks in cases of divestment; notes at the same time that crises often hit SMEs the hardest;

# calls, therefore, for specific resilience support measures to harness the position of SMEs in regional economies, for the European Commission to step up its efforts to lower the regulatory burden for businesses and for the acknowledgement of the ‘think small first’ principle throughout the EU legislative cycle, as well as for ensuring that SME tests, SME filters and competitiveness checks become the norm in EU policy-making;

# stresses that, while financial support must be accessible to all EU regions facing economic shocks, it should also be proactively targeted to strengthen the resilience of regions most vulnerable to future economic shocks. The support should be targeted in line with the principle of subsidiarity and build on regional strengths to enable the regions to improve their competitiveness in a market-driven environment;

# Emphasises the need to target financial support also towards developing skills and employment opportunities for young people in the most vulnerable regions, particularly in sectors critical to the twin transition. Recognises that investing in the education and professional development of youth can enhance the long-term economic resilience of less-developed regions;

# underlines the economic opportunities offered to various regions by the twin transition and highlights the need for predictable, flexible and transparent regulation, strong regional ecosystems and cooperation between public and private sectors and universities; following the principle of technological neutrality, with low carbon and renewable technologies available at its core, the European Commission must ensure technological competition[[3]](#footnote-3), thus promoting technological progress and economic diversification; accordingly, stresses the importance of enabling and promoting a variety of different solutions, taking into account the different circumstances in the EU’s regions in terms of climate, geography, infrastructure, energy systems[[4]](#footnote-4) and levels of development, as well as their existing industry and specific value-adding potential to avoid undermining the economic diversification and resilience of regions;

# calls for focusing EU industrial policy on supporting the research and development of new innovations in advanced technologies and stresses that investments in research, education and skills improve regions’ economic resilience in the long term;

# welcomes the potential of existing funding instruments, including the European Regional Development Fund (ERDF), Cohesion Fund, European Social Fund Plus (ESF+), InvestEU Programme, Horizon Europe, European Agricultural Fund for Rural Development (EAFRD) and Connecting Europe Facility (CEF), in supporting regional diversification efforts; however, calls for a more holistic, targeted and integrated approach, where diversification is the central, explicit objective of funding rather than a secondary outcome in order to increase policy impact in the field of diversification specifically;

# welcomes recent initiatives from the European Commission, such as Regional Innovation Valleys and Partnerships for Regional Innovation, which facilitate the exploration of European regions’ unique comparative advantages. Similarly, considers that a specific space should be introduced for local authorities in these initiatives, given the specific characteristics of local authorities and particularly of medium-sized and large cities;

# notes that embracing and further developing such initiatives align with the overarching goal of leveraging regional strengths and fostering innovation, which are essential pillars in strengthening regional resilience and ensuring stable long-term economic growth and development;

# highlights the beneficial role of regional investment promotion agencies in identifying local sectors with added value that are well imbedded in the regional economic context and calls for such agencies to be involved in the implementation of support tools and funding schemes; underlines the necessity of ensuring these agencies operate transparently and in the public interest, with robust accountability measures in place;

**Securing regional value chains**

# underlines that diverse and secure supply chains, as also highlighted by the Letta Report, are critical to protect the Single Market and form the foundation of economic resilience, especially for regions whose economies are less diversified;

# underlines that investments in the infrastructure and accessibility of regions are critical to strengthen their economic resilience and the Single Market, and calls for enhanced consideration for specific regional vulnerabilities, such as those of the external border regions, outermost regions, and regions suffering from severe and permanent natural or demographic handicaps, in the development of infrastructure. Believes that investments in the Trans-European Transport Network (TEN-T), including outdated railway and inland waterway infrastructure, are essential for the competitive, secure and low-emission movement of people and goods; stresses the importance of prioritising sustainable transportation solutions, renewable energy integration and minimising environmental impacts;

# calls for increased attention to the concept of comprehensive security and security of supply across the European Union and for the European Commission to conduct a coordinated, continuous evaluation of all policy sectors to strengthen the preparedness for future shocks;

# highlights in this context the importance of resilient external land and sea border regions, as geographical gateways to the European Union, for the security and resilience of the EU and calls for this to be taken into account in future competition and cohesion policies, emphasising the importance of solidarity with EU border regions and the unique challenges they face, including those arising from irregular migration; in this context, believes that European resources for making the EU's external borders more secure should be increased;

# recognises the important role the recently adopted Internal Market Emergency and Resilience tool will have to make the Single Market more resilient in times of crises and welcomes the fact that recommendations from its opinion on this legislative proposal were included in the co-legislators’ agreement on this tool, and particularly those relating to the special requirements of border and outermost regions;

# underlines the potential of reducing overly complex bureaucratic limitations and streamlining regulatory processes as a viable strategy to mitigate economic shocks; acknowledges the impact of excessive red tape on hindering economic activity and emphasises the importance of implementing measures aimed at enhancing regulatory efficiency while ensuring that high social, security and environmental standards are upheld;

# advocates for the creation of a framework of temporary measures which can be activated to alleviate regulatory burdens for business or public authorities during times of heightened uncertainty, allowing for increasingly swift decision-making and more agile responses to emerging, exceptional challenges;

# recalls that State aid has been an essential vehicle on the EU’s road towards recovery in the wake of the recent crises and highlights that it can also be an efficient tool to improve regional economic resilience, provided the appropriate resilience criteria are applied when granting State aid; regrets, however, that the two temporary State aid frameworks have also led to competition distortions in the Single Market, negative effects on the trade between Member States and to vast disparities in the amounts of State aid notified by Member States. This, in turn, has given rise to differences in the financial possibilities available and to an uneven playing field in favour of larger and wealthier Member States and regions that are able to grant more aid;

# calls for the Commission to consider the possibility of implementing regionally targeted State aid flexibilities in cases of economic shocks, to enable timely and targeted support to particularly affected regions without distorting the Single Market, and for the public procurement criteria to take into account the need to address specific regional vulnerabilities, so as to increase regional resilience;

# emphasises that affordable and secure energy production is a prerequisite for economic resilience and competitiveness; recognises the challenge of rising energy prices and volatility; accordingly, in addition to boosting renewable energy production such as wind, solar, hydroelectric, biomass, geothermal and tidal energy, underlines the potential of nuclear energy to increase the EU’s energy resilience and independence and to meet its decarbonisation objectives; welcomes in this sense the recognition of nuclear power as a strategic technology for the EU’s decarbonisation in the Net Zero Industry Act (NZIA); moreover, welcomes the European Industrial Alliance on Small Modular Reactors (SMRs) promoted by the European Commission;

# highlights the importance of promoting the production of renewable energy, especially decentralised and local renewable energy systems and remote energy systems, to achieve the clean energy transition, increase energy security and provide new economic opportunities especially to rural areas.

# emphasises the need to prioritise energy efficiency and energy savings to reduce energy consumption in the EU, thereby contributing effectively to climate protection and energy independence;

# calls for increased attention to the challenges related to wind power production and defence surveillance in the vast EU territories bordering Russia and Belarus; notes that many regions are unable to produce wind energy in areas close to the border as it conflicts with radar and sensor defence technology; underlines that facilitating the development of radar and sensor technology to enable the production of wind power in these regions can provide a major European solution for clean energy availability and increase the resilience of the EU’s external border regions at the same time;

# stresses that strengthening the EU’s economic resilience requires increased investments in critical digital infrastructure, such as mobile networks, undersea cables, satellites, data centres, future technology solutions and critical technologies, as well as further development of European value chains;

# recalls that a high level of cybersecurity and related expertise is essential for the competitiveness and resilience of the EU and its regions and that a successful digital transition requires strong involvement of local and regional authorities; emphasises the protection of digital rights, including privacy and freedom of expression, as foundational principles in cybersecurity measures;

# welcomes the efforts to strengthen the EU’s open strategic autonomy, securing the production of key strategic commodities and items in the EU and de-risking vulnerable key supply chains; highlights, in this regard, the importance of increasing the use of secondary raw materials, e-waste collection and recycling, measures against illegal disposal and progressing towards a circular economy;

**Regional governance and social empowerment**

# recalls how, throughout all Member States, the recent crises have demonstrated that rapid and effective responses of public authorities largely depend on good governance and efficient leadership and that this requires close collaboration between all levels of government, together with non-governmental entities such as businesses and civil society;

# underlines the necessity of holistic policies to address the demographic crisis and ensure a resilient demographic future for Europe; recognises in that regard that increasing women’s labour participation can be one of the most effective remedies, alongside promoting legal migration and effectively integrating third-country nationals to alleviate labour market pressures, which require establishing the necessary framework conditions, such as childcare and language and job training; calls for the development of programmes that promote the retention and return of young people to rural and less-developed regions areas by supporting employment, digital connectivity and entrepreneurship, including by offering training, mentorship, and access to funding, and learning from the best practices of Member States;

# highlights the importance of targeted programmes to increase women’s participation across all sectors through education, training, and entrepreneurship support; recalls that gender parity in decision-making processes related to economic policies and regional planning enhances resilience and fosters diverse perspectives, contributing to a more robust and adaptive single market;

# recalls, furthermore, that access to quality services of general interest and high-quality infrastructure are ways to counter negative population trends, and that this should be taken into account in the EU’s future competition and cohesion policies to realise the ‘freedom to stay’, as described by Enrico Letta in his aforementioned report;

# highlights the pivotal role of community empowerment in enhancing regional resilience against emerging challenges by implementing community resilience-building programmes aimed at equipping local residents with essential skills and knowledge for financial awareness, risk management and adaptation, fostering a culture of preparedness and collaboration on a local level;

# notes that financial literacy can empower citizens to make informed decisions, better understand economic risks and opportunities, make more informed investment choices and, accordingly, navigate uncertainties more effectively, creating increasingly resilient communities equipped to better manage economic shocks on a personal level;

# accordingly, calls for increased funding towards financial literacy initiatives, particularly for young people and in less-developed regions, as a pivotal strategy for enhancing resilience through the allocation of targeted financial resources to programmes aimed at improving financial awareness among citizens;

# stresses the importance of constantly improving all education systems in general, which increases the value of European human capital, and in particular the importance of teaching EU languages, which improves workers’ productivity, the operation of the single market and its competitiveness vis-à-vis other actors outside the EU.

Brussels, 8 October 2024.

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| *The Presidentof the European Committee of the Regions*Vasco Alves Cordeiro |  |
|  | *The Secretary-Generalof the European Committee of the Regions*Petr Blížkovský |

1. **PROCEDURE**

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| **Title** | Shock-proofing European regions: Strengthening local and regional economic resilience in the strategic evolution of the Single Market |
| **Reference(s)** | - |
| **Legal basis** | Art. 307 TFEU |
| **Procedural basis** | Rule 41(b)(ii) RoP |
| **Date of Council/EP referral/Date of Commission letter**  | - |
| **Date of Bureau/President’s decision** | Bureau written procedure 2024/01 |
| **Commission responsible** | Commission for Economic Policy (ECON) |
| **Rapporteur** | Ilpo Heltimoinen (FI/ECR), Lappeenranta City Councillor |
| **Discussed in commission** | 15 May 2024 |
| **Date adopted by commission** | 4 July 2024 |
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| **Adopted at plenary** | 8 October 2024 |
| **Previous Committee opinions** | - |
| **Subsidiarity reference** | N/A |

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1. <https://commission.europa.eu/strategy-and-policy/strategic-planning/strategic-foresight/2020-strategic-foresight-report_en>. [↑](#footnote-ref-1)
2. [www.consilium.europa.eu/media/ny3j24sm/much-more-than-a-market-report-by-enrico-letta.pdf](http://www.consilium.europa.eu/media/ny3j24sm/much-more-than-a-market-report-by-enrico-letta.pdf). [↑](#footnote-ref-2)
3. CDR 4913-2021. [↑](#footnote-ref-3)
4. CDR 5068-2020. [↑](#footnote-ref-4)